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 2009

The board of directors (the "Board") of Tonic Industries Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2009 (the "Year"), together with the comparative figures for the year ended 31 March 2008, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**2,055,805**	2,120,846
Cost of sales		**(2,075,771)**	(1,953,980)
Gross profit/(loss)		**(19,966)**	166,866
Other income and gains	5	**37,692**	5,619
Selling and distribution costs		**(3,313)**	(9,750)
Administrative expenses		**(78,970)**	(73,237)
Professional expenses on aborted projects		**–**	(21,326)
Fair value losses on equity investments at fair value through profit or loss		**(1,488)**	(6,432)
Finance costs	7	**(25,716)**	(36,470)
		(91,761)	25,270
Provision for impairment of assets	6	**(60,697)**	(13,256)
PROFIT/(LOSS) BEFORE TAX	6	**(152,458)**	12,014
Tax	8	**(140)**	(13,515)

	NOTES	2009 HK$'000	2008 HK$'000
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(152,598)**	(1,501)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	*9*	**(22,289)**	7,186
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(174,887)**	5,685
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic			
– For profit/(loss) for the year		**(HK16.5 cents)**	HK0.6 cent
– For loss from continuing operations		**(HK14.4 cents)**	(HK0.2 cent)
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET
31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**661,300**	736,084
Prepaid land lease payments		**41,091**	43,279
Intangible assets		**10,345**	22,716
Available-for-sale investment		**–**	–
Non-current portion of an other receivable		**–**	2,470
Deposits for acquisition of items of property, plant and equipment		**53**	2,399
Total non-current assets		**712,789**	806,948
CURRENT ASSETS			
Inventories		**353,832**	526,835
Accounts and bills receivables	*11*	**68,495**	207,724
Factored accounts receivables	*12*	**53,394**	118,451
Current portion of loans receivable		**–**	93
Prepayments, deposits and other receivables		**16,418**	21,342
Prepaid land lease payments		**909**	971
Equity investments at fair value through profit or loss		**2,592**	4,080
Derivative financial instruments		**382**	–
Cash and bank balances		**36,758**	31,031
Total current assets		**532,780**	910,527
CURRENT LIABILITIES			
Accounts payables	*13*	**342,022**	507,856
Accrued liabilities and other payables		**43,548**	53,143
Interest-bearing bank and other borrowings		**284,033**	303,183
Bank advances on factored accounts receivables	*12*	**53,394**	118,451
Derivative financial instruments		**–**	3,325
Tax payable		**21,265**	18,635
Total current liabilities		**744,262**	1,004,593
NET CURRENT LIABILITIES		**(211,482)**	(94,066)
TOTAL ASSETS LESS CURRENT LIABILITIES		**501,307**	712,882

	2009	2008
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**61,144**	96,686
Net deferred tax liabilities	**53,483**	54,446
Total non-current liabilities	**114,627**	151,132
Net assets	**386,680**	561,750
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**105,789**	105,789
Reserves	**280,891**	455,961
Total equity	**386,680**	561,750

NOTES TO FINANCIAL STATEMENTS

31 March 2009

1. BASIS OF PRESENTATION/BASIS OF PREPARATION

During the year ended 31 March 2009, the Group incurred a net loss of HK$174,887,000 and the Group had net current liabilities of approximately HK$211,482,000 as at 31 March 2009.

In order to improve the Group's financial position, immediate liquidity and cash flows and otherwise to sustain the Group as a going concern, the Group is implementing the following measures:

(a) as at the balance sheet date, the Group was in the advanced stage of discussion with a bank for an additional banking facility of RMB150 million (equivalent to HK$170 million) and to extend its existing RMB110 million (equivalent to HK$125 million) bank loans due by February 2010 to July 2010. Subsequent to the balance sheet date on 20 July 2009, the Group and the bank signed letters of intent in respect of the abovementioned banking facilities;

(b) subsequent to the balance sheet date on 16 July 2009 and 17 July 2009, the Group was granted waivers from certain banks in relation to its non-compliance of covenant requirements;

(c) subsequent to the balance sheet date, the Group disposed of certain of its office buildings located in Hong Kong for a cash consideration of HK$20 million and the directors of the Company are also taking measures to dispose of other non-core assets of the Group; and

(d) the directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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 (the "HKICPA"), 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.

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

The Group has adopted the following new interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment - Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments[1]
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]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[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 October 2008
[5] Effective for annual periods ending on or after 30 June 2009
* *Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

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 and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset and liability of the Group's business segments for the years ended 31 March 2009 and 2008.

Group

	Continuing operations						Discontinued operation			
	Electronic products and components		**Corporate**		**Total**		**Home appliance products**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**2,055,805**	2,120,846	**–**	–	**2,055,805**	2,120,846	**340,198**	300,072	**2,396,003**	2,420,918
Other segment revenue	**7,489**	2,040	**–**	–	**7,489**	2,040	**–**	–	**7,489**	2,040
Total	**2,063,294**	2,122,886	**–**	–	**2,063,294**	2,122,886	**340,198**	300,072	**2,403,492**	2,422,958
Segment results	**(153,615)**	93,624	**(302)**	(332)	**(153,917)**	93,292	**(21,741)**	8,319	**(175,658)**	101,611
Interest income and unallocated income					**30,203**	3,579	**–**	–	**30,203**	3,579
Unallocated expenses					**(3,028)**	(48,387)	**–**	–	**(3,028)**	(48,387)
Finance costs					**(25,716)**	(36,470)	**(239)**	(400)	**(25,955)**	(36,870)
Profit/(loss) before tax					**(152,458)**	12,014	**(21,980)**	7,919	**(174,438)**	19,933
Tax					**(140)**	(13,515)	**(309)**	(733)	**(449)**	(14,248)
Profit/(loss) for the year					**(152,598)**	(1,501)	**(22,289)**	7,186	**(174,887)**	5,685
Assets and liabilities										
Segment assets	**1,193,866**	1,567,060	**–**	–	**1,193,866**	1,567,060	**11,971**	115,211	**1,205,837**	1,682,271
Unallocated assets									**39,732**	35,204
Total assets									**1,245,569**	1,717,475
Segment liabilities	**376,518**	497,943	**9**	9	**376,527**	497,952	**9,043**	63,047	**385,570**	560,999
Unallocated liabilities									**473,319**	594,726
Total liabilities									**858,889**	1,155,725

(b) Geographical segments

The following table presents revenue for the Group's geographical segments for the years ended 31 March 2009 and 2008.

Group

	Americas		Europe		Asia Pacific countries		Others		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**1,447,920**	1,187,108	**326,538**	665,456	**548,722**	519,569	**72,823**	48,785	**2,396,003**	2,420,918
Attributable to a discontinued operation	**(32,752)**	(39,009)	**(96,786)**	(93,022)	**(171,362)**	(159,038)	**(39,298)**	(9,003)	**(340,198)**	(300,072)
Revenue from continuing operations	**1,415,168**	1,148,099	**229,752**	572,434	**377,360**	360,531	**33,525**	39,782	**2,055,805**	2,120,846

5. 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 eliminations of all significant intra-group transactions.

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

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of electronic products and components attributable to continuing operations reported in the consolidated income statement	**2,055,805**	2,120,846
Manufacture and sale of home appliance products attributable to a discontinued operation	**340,198**	300,072
	2,396,003	2,420,918
Other income and gains		
Handling fee income	**–**	250
Bank interest income	**174**	1,504
Dividend income from listed investments	**143**	153
Foreign exchange differences, net	**9**	1,219
Gain on disposal of items of property, plant and equipment	**29,886**	–
Gain on disposal of a subsidiary	**–**	1,922
Sales of scrap materials and raw materials	**7,287**	–
Others	**193**	571
	37,692	5,619

6. PROFIT/(LOSS) BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**2,405,318**	2,224,861
Provision against inventories:		
Continuing operations	**4,236**	1,802
Discontinued operation	**6,745**	2,399
	10,981	4,201
Fair value (gains)/losses on derivative financial instruments - forward currency contracts, net	**(382)**	3,325
Cost of sales	**2,415,917**	2,232,387
Depreciation	**66,813**	73,333
Amortisation:		
Software development costs*	**75**	75
Trademark*	**282**	280
Recognition of prepaid land lease payments	**981**	967
Research and development costs:		
Deferred development costs amortised*	**8,330**	11,280
Current year expenditure	**2,115**	4,789
	10,445	16,069
Minimum lease payments under operating leases on land and buildings	**3,771**	4,401
Auditors' remuneration	**1,180**	1,242
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**160,378**	166,140
Pension scheme contributions	**2,386**	2,446
Less: Forfeited contributions**	**–**	–
Net pension scheme contributions	**2,386**	2,446
	162,764	168,586
Provision for impairment of assets:		
Continuing operations:		
Impairment of items of property, plant and equipment	**37,409**	–
Impairment of intangible assets	**7,551**	–
Impairment of account receivables	**10,179**	–
Impairment of deposits and other receivables	**5,558**	–
Impairment of available-for-sale investment	**–**	13,256
	60,697	13,256
Discontinued operation:		
Impairment of items of property, plant and equipment	**5,098**	–
	65,795	13,256
(Gain)/loss on disposal of items of property, plant and equipment	**(29,886)**	3,968

* *The amortisation of software development costs and trademarks, and the amortisation of 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 2009, the Group had no forfeited contributions available to offset its future employers' contributions (2008: Nil).*

\# *The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.*

7. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans and facilities wholly repayable within five years	**25,361**	35,518
Finance leases	**594**	1,352
	25,955	36,870
Attributable to a discontinued operation *(note 9)*	**239**	400
Attributable to continuing operations reported in the consolidated income statement	**25,716**	36,470
	25,955	36,870

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the Year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. 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.

	2009	2008
	HK$'000	*HK$'000*
Group:		
Current - Hong Kong		
Charge for the year	**3,113**	5,933
Overprovision in prior years	**(1,393)**	(158)
Current - Elsewhere		
Charge for the year	**1,142**	8,362
Deferred	**(2,722)**	(622)
Tax charge for the year	**140**	13,515

9. DISCONTINUED OPERATION

On 28 December 2008, the Group discontinued its home appliances products division, which is a separate business segment and is part of the Mainland China and Hong Kong operations. The Group has decided to cease its home appliances products business because it plans to focus its resources on electronic products and components business.

The results of home appliances business for the Year are presented below:

	2009	2008
	HK$'000	*HK$'000*
Revenue	**340,198**	300,072
Expenses	**(350,096)**	(291,753)
Impairment of items of property, plant and equipment	**(5,098)**	–
Provision against inventories	**(6,745)**	–
Finance costs	**(239)**	(400)
Profit/(loss) before tax from the discontinued operation	**(21,980)**	7,919
Tax	**(309)**	(733)
Profit/(loss) for the year from the discontinued operation	**(22,289)**	7,186

The net cash outflows incurred by home appliances products business are as follows:

	2009	2008
	HK$'000	*HK$'000*
Operating activities	**1,547**	5,439
Investing activities	**417**	2,650
Financing activities	**3,097**	2,048
Net cash outflow	**5,061**	10,137
Earnings/(loss) per share:		
Basic, from the discontinued operation	**(HK2.1 cents)**	HK0.7 cent
Diluted, from the discontinued operation	**N/A**	N/A

The calculations of basic and diluted earnings/(loss) per share from the discontinued operation are based on:

	2009	2008
Profit/(loss) attributable to ordinary equity holders of the Company from the discontinued operation	**(HK$22,289,000)**	7,186,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,057,889,962**	979,068,044

Diluted earnings/(loss) per share amounts from the discontinued operation for the years ended 31 March 2009 and 2008 have not been disclosed, as the options outstanding during these years had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the loss for the Year attributable to ordinary equity holders of the Company of HK$174,887,000 (2008: profit of HK$5,685,000) and the weighted average number of 1,057,889,962 (2008: 979,068,044) ordinary shares in issue during the Year.

The calculation of basic loss per share amounts from continuing operations is based on the loss for the year from continuing operations of HK$152,598,000 (2008: HK$1,501,000) and the weighted average number of 1,057,889,962 (2008: 979,068,044) ordinary shares in issue during the Year.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2009 and 2008 have not been disclosed, as the share options outstanding during these years had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

11. ACCOUNTS AND BILLS RECEIVABLES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Accounts receivables	**78,674**	195,589
Bills receivables	**–**	12,135
	78,674	207,724
Impairment	**(10,179)**	–
	68,495	207,724

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			
	2009		2008	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
0 to 30 days	**45,221**	**66**	126,393	61
31 to 60 days	**7,948**	**12**	32,993	16
61 to 90 days	**11,192**	**16**	16,950	8
Over 90 days	**4,134**	**6**	31,388	15
	68,495	**100**	207,724	100

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

12. FACTORED ACCOUNTS RECEIVABLES

At 31 March 2009, the Group factored trade receivables of HK$53,394,000 (2008: HK$118,451,000) 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 directors, 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. As at 31 March 2009, these factoring facilities were secured by a corporate guarantee granted by the Company, cross-corporate guarantees granted by certain subsidiaries and the Company. 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	
	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**23,493**	40,172
31 to 60 days	**7,276**	31,231
61 to 90 days	**12,993**	36,728
Over 90 days	**9,632**	10,320
	53,394	118,451

13. 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			
	2009		2008	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
0 to 30 days	**123,488**	**36**	230,043	46
31 to 60 days	**24,509**	**7**	66,951	13
61 to 90 days	**7,346**	**2**	67,128	13
Over 90 days	**186,679**	**55**	143,734	28
	342,022	**100**	507,856	100

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

14. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT ON THE GROUP'S FINANCIAL STATEMENT

The Company's auditors, Messrs Ernst & Young, without qualifying the auditors' report, have considered the adequacy of the disclosures made in the financial statements as at 31 March 2009 concerning the adoption of the going concern basis on which the financial statements have been prepared and expressed the following opinion.

Without qualifying our opinion, we draw attention to note 1 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The Group incurred a net loss of HK$174,887,000 during the year ended 31 March 2009, and the Group's current liabilities exceeded its current assets by approximately HK$211,482,000. These conditions, along with the Group's ability to extend its short-term loans upon maturity; obtain long-term financing facilities to refinance its short-term loans; derive adequate operating cash flow from its existing operations, as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern.

BUSINESS REVIEW AND PROSPECTS

The Group recorded a turnover from continuing operations of HK$2,056 million, EBITDA of (HK$74) million and loss attributable to shareholders of HK$175 million for the year ended 31 March 2009, compared to HK$2,121 million, HK$142 million and profit of HK$6 million respectively for the previous year.

In the second half of 2008, hit by the global economic downturn, the most severe in a century, many mature economies in the world were sent into recession. However, despite the extremely volatile and damaging business environment, with vigour and determination, the Group was able to guard its financial soundness. Applying their proven ability to innovate, the management and staff of the Group continued to respond well to the changing needs of customers. The Group had two factors working in its favour. The change of broadcasting system from analogue to digital in global markets and the PRC government implementing policies including offering subsidies to promote sales of household appliances in rural areas (家電下鄉政策) had given major impetus to sales of set top boxes as well as other electronic products of the Group.

However, despite the commendable sales performance of the set top boxes business, having to face a market in unprecedented turbulence, the Group inevitably incurred an overall loss in the year under review. The factors and events that posed heavy burden and harm on the performance of the Group are briefly summarised below:–

Firstly, cost of production for the Year climbed because of persistently high oil price. The new labour law implemented in Mainland China also pushed up staff cost. The appreciation of Renminbi as well as the high material cost imposed an additional financial burden to the Group's production cost. Further, banks tightened credit policy which led to increased financial cost. All these distressing factors had not been fully compensated by the thin margin offered by our customers.

Secondly, the Group had to pay compensation to layoff workers and write off plant and inventories during the Year for closing the home appliances division and temporary suspension of the sub-assembly factory. The loss from that was HK$22 million for the Year. The Group decided to suspend the division because of the loss of export market and increase in raw material price, especially metal and plastic. In addition, appreciation of the Euro during the Year also served as a factor which rendered the high price of raw material. It was the atmosphere of the financial crisis compelled many factories producing raw materials to suspend, and this as a result drove the price of raw material fastening in increasing upward.

Lastly, the Group decided to temporarily suspend some of the divisions in a sub-assembly factory in PRC during the Year. Certain of its fixed assets and inventories, amounting to HK$42 million were written off. Furthermore, provision was also made on certain debtors and other receivables, amounting to HK$10 million and HK$6 million respectively, which are considered as uncollectible.

In the coming year, the Group will continue to be prudent and active in improving its financial performance. It will do its very best in identifying suitable and profitable business opportunities to expand its earning base. To cement our market share, we will strive to boost sales of our cutting edge set top boxes and continue to leverage the promotion of purchase of household appliance effort (家電下鄉政策) of the PRC Government. The latter in particular is expected to see our business back on the recovery path and translate into substantial profits for the Group in coming years.

Barring unforeseeable circumstances, the Group expects raw material prices and labour cost to stabilise. Nevertheless, it will continue to implement strict cost saving measures to ensure its business enjoys the highest cost-effectiveness.

FINAL DIVIDEND

The Board does not recommend payment of a final cash dividend (year ended 31 March 2008: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 September 2009 to 18 September 2009, 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 2009, 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 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Development

The Group will focus on domestic market and continue to develop high-end set top boxes. It will also develop its own brand electric products and sell them to rural households.

Liquidity and Financial 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. The Group has repaid the loan on 23 March 2009.

As at 31 March 2009, the net asset value of the Group attributable to equity holders amounted to approximately HK$387 million (31 March 2008: approximately HK$562 million), including cash and bank balances of approximately HK$37 million (31 March 2008: approximately HK$31 million) which were denominated mainly in Hong Kong dollars.

The trade receivable balance as at 31 March 2009 was approximately HK$122 million (31 March 2008: approximately HK$326 million), including factored accounts receivables of HK$53 million (31 March 2008: approximately HK$118 million). Except the factored accounts receivables with credit insurance cover, all other trade receivables were on letter of credit.

As at 31 March 2009, the Group's aggregate borrowings was approximately HK$399 million (31 March 2008: approximately HK$518 million), of which approximately HK$392 million was bank borrowings and approximately HK$7 million was for obligations under finance leases. The Group's borrowings are denominated in Hong Kong dollars and bear interest mainly on HIBOR basis. The gearing ratio of the Group, calculated based on net borrowings over shareholder funds, was 94% (31 March 2008: 87%).

The Group is not exposed to any material currency fluctuation risks, as most of its receivables as well as payables are in US dollars. The Group has natural hedges against currency risks and adheres to the policy of not engaging in speculative activities. In addition, the Group's Renminbi receipts from domestic sales could offset Renminbi expenses of factories in the PRC.

Litigation

On 11 November 2008, Thomson Hong Kong Holdings Limited ("Plaintiff"), a former customer of the Group, issued writ of summons in the High Court of Hong Kong against the Company and two of its indirect wholly owned subsidiaries namely, Tonic Digital Products Limited ("Tonic Digital") and Tonic Electronics Limited ("Defendants") claiming damages in the sum of US$4,289,664.15 (approximately HK$33,244,897.16) together with interest, and costs. The Defendants filed their Defence and Counterclaim and the Plaintiff filed its Reply and Defence to Counterclaim 17 March 2009. The claims of the Plaintiff relate, inter alia, to refund of the purchase price of goods sold and delivered by Tonic Digital to the Plaintiff. Based on the case pleaded by the Plaintiff and the information now available to the Defendants, the Defendants have a defence with merits to such claim. The parties attempt to resolve interlocutory matters before the case is to be fixed for trial.

Employee Relations

As at 31 March 2009, the Group had approximately 3,700 employees in Hong Kong and the PRC. Salaries and wages for the year ended 31 March 2009 totalled approximately HK$163 million. Employees' remuneration packages are generally structured by reference to market conditions, individual qualifications and performance. In addition to basic salary payment, other benefits offered to employees include contributions to mandatory provident fund, group medical insurance and group personal accident insurance. Employees may also to be granted share options at the discretion of the Board under the Company's share option scheme.

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 Audit 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 authorised by the Board and responsible for reviewing the financial reports, internal controls principles and for maintaining an appropriate relationship with the Company's auditors. The Audit Committee has reviewed the Group's consolidated financial statements for the Year, including the accounting principles 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 2009 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 to all Directors, the Company has confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2009.

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 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, 24 July 2009