TONIC INDUSTRIES HOLDINGS LIMITED

(Stock Code: 978)

(incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE AND CONNECTED TRANSACTION AND NON-EXEMPT CONTINUING CONNECTED TRANSACTION

THE MASTER AGREEMENT AND THE OTHER RELATED AGREEMENTS

The Board announces that on 27 April 2005, as part and parcel of a debt compromise and restructuring arrangement for DK Digital (which is a debtor of the Company), the Company, PVL, Eurochron, DK Digital, Mr. Knaup, the Minority DK Shareholder and three other creditors of DK Digital entered into the Master Agreement and certain of the parties entered into the other related agreements pursuant to which, among others, (i) the Company, the Minority DK Shareholder, Eurochron and the Banking Creditor agreed with DK Digital to waive, irrevocably and finally, the obligation of DK Digital to repay its account payables to them in an aggregate amount of EUR12 million (approximately HK$112.3 million), of which US$3.05 million (approximately EUR2.54 million or HK$23.8 million) was due to the Company and another EUR2.54 million (approximately HK$23.8 million) was due to Eurochron; and (ii) Mr. Knaup and the Minority DK Shareholder agreed to sell and transfer an aggregate of 99,990 DK Digital Shares to the relevant creditors of which a total of 21,165 DK Digital Shares held by them, representing approximately 19.05% of the issued share capital of DK Digital, were transferred to the Company for a total cash consideration of EUR2.00, and another total of 21,164 DK Digital Shares held by them, representing approximately 19.05% of the issued share capital of DK Digital, were transferred to Eurochron for a total cash consideration of EUR2.00.

THE PVL SALES AGREEMENT

In addition, the Board announces that on 15 September 2005, the Company as supplier, PVL as buyer and Egana as guarantor to PVL in favour of the Company entered into the PVL Sales Agreement to govern the PVL Sales between the Company and PVL for the three years commenced on 1 April 2005 and ending on 31 March 2008. The amount of PVL Sales for each of the financial years ending 31 March 2006, 2007 and 2008 shall not exceed HK$50 million, HK$120 million and HK$200 million respectively.

GENERAL

The relevant transactions under the Master Agreement and the other related agreements constitute a discloseable transaction for the Company under the Listing Rules. Given that Eurochron and PVL are parties to the aforesaid agreements and also wholly-owned subsidiaries of Egana which is a substantial Shareholder, such transactions also constitute connected transactions for the Company under the Listing Rules and are subject to the approval of the Independent Shareholders at the EGM where the voting on the relevant resolution will be taken on a poll.

Given that PVL and Egana are parties to the PVL Sales Agreement, the PVL Sales contemplated thereunder constitute non-exempt continuing connected transactions for the Company under the Listing Rules and require the approval of Independent Shareholders at the EGM where the voting on the relevant resolution will be taken on a poll.

Egana and its associates will be required to abstain from voting on the resolutions to be proposed at the EGM to approve the Master Agreement and the other related agreements as well as the PVL Sales Agreement and the transactions contemplated thereunder including the Caps.

THE MASTER AGREEMENT

1. Dates

27 April 2005 and supplemented on 12 July 2005.

2. Parties

(i) the Company as a creditor of DK Digital;

(ii) PVL and Eurochron as creditors of DK Digital, both being wholly-owned subsidiaries of Egana, the issued shares of which are listed on the Stock Exchange. Egana is principally engaged in design, assembly, manufacturing and distribution of timepieces, jewellery and leather products; licensing or assignment of brandnames or trademarks to third parties; trading of timepiece components, jewellery and consumer electronic products; distribution of branded timepieces, jewellery and leather and lifestyle products through franchisees under the franchising arrangement; and holding of investments;

(iii) DK Digital as a debtor of the Company, a company principally engaged in the trading and design of digital consumer electronic products;

(iv) Mr. Knaup, the founding shareholder of DK Digital who was interested in approximately 90% of the entire issued share capital of DK Digital before completion of the share sale and transfer agreement detailed below;

(v) the Minority DK Shareholder as a shareholder and creditor of DK Digital, which is an investment company;

(vi) the Finance Creditor, which is an investment company;

(vii) the Banking Creditor, which is a bank; and

(viii) the Trade Creditor, which is principally engaged in the sale of batteries and technical watchmaker's utensils.

Egana is a substantial Shareholder interested in 20.4% of the existing issued share capital of the Company. By virtue of its equity interest in the Company, Egana and its subsidiaries constitute connected persons of the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the parties to the Master Agreement and their respective ultimate beneficial owners, other than PVL and Eurochron, are third parties independent of the Company and its connected persons.

3. Principal terms of the Master Agreement

(i) Pursuant to the Master Agreement, the Company, the Minority DK Shareholder, Eurochron and the Banking Creditor agreed with DK Digital to waive, irrevocably and finally, the obligation of DK Digital to repay its account payables to them in an aggregate amount of EUR12 million (approximately HK$112.3 million), of which US$3.05 million (approximately EUR2.54 million or HK$23.8 million) was due to the Company and another EUR2.54 million (approximately HK$23.8 million) was due to Eurochron;

(ii) the Company and PVL have jointly agreed to grant to DK Digital the right to purchase from the Company (via PVL) and/or PVL goods, in particular electronic products, on credit up to a cumulative amount of EUR7.72 million (approximately HK$72.3 million) up to and including 31 December 2006. The Company and PVL are free to decide whether they wish to accept or reject the orders from DK Digital; and

(iii) the Finance Creditor and the Banking Creditor have also agreed to restructure the terms and/or interest rate of their advances to DK Digital.

4. Other related agreements

In conjunction with the Master Agreement, the following related agreements were also entered into on 27 April 2005:

(i) Share sale and transfer agreement

As part and parcel of a debt compromise and restructuring arrangement among DK Digital and its major creditors:

(a) Mr. Knaup, who was interested in 100,000 DK Digital Shares (representing approximately 90% of the then issued share capital of DK Digital), agreed to sell and transfer 48,890, 20,000 and 20,000 of his DK Digital Shares for EUR1.00 each lot to the Minority DK Shareholder, the Company and Eurochron respectively; and

(b) the Minority DK Shareholder agreed to sell and transfer 1,165, 1,164 and 3,203 of its DK Digital Shares for EUR1.00 each lot to the Company, Eurochron and the Trade Creditor respectively.

Set out below are the shareholding structures of DK Digital immediately before and after completion of the share sale and transfer agreement:

	DK Digital Shares	**Approximate %**	**DK Digital Shares**	**Approximate %**
Mr. Knaup	100,000	90.0	11,110	10.00
Minority DK Shareholder	11,100	10.0	54,458	49.02
The Company	–	–	21,165	19.05
Eurochron	–	–	21,164	19.05
Trade Creditor	–	–	3,203	2.88
Total	111,100	100.0	111,100	100.00

The DK Digital's outstanding account payables of EUR12 million (approximately HK$112.3 million) were agreed to be waived on a pro rata basis with a view to restoring an amount of EUR12 million (approximately HK$112.3 million) in net shareholders' deficit of DK Digital as at 31 March 2005 and maintaining a shareholding of 10% in DK Digital for Mr. Knaup. Set out below is a summary of the proportion of account payables waived and the number of DK Digital Shares sold and transferred pursuant to the share sale and transfer agreement:

	Account payables waived *EUR*	**Approximate %**	**DK Digital Shares**	**Approximate %**
The Company	2,540,000	21.2	21,165	21.2
Eurochron	2,540,000	21.2	21,164	21.2
Minority DK Shareholder	3,800,000	31.6	54,458	54.4
Banking Creditor	3,120,000	26.0	–	–
Trade Creditor	–	–	3,203	3.2
Sub-total	6,920,000	57.6	57,661	57.6
Total	12,000,000	100.0	99,990	100.0

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Minority DK Shareholder, the Banking Creditor and the Trade Creditor are related.

(ii) *Shareholders' agreement*

A shareholders' agreement was also entered into among the Company, Mr. Knaup, the Minority DK Shareholder, Eurochron and the Trade Creditor to regulate their rights and duties with regard to their shareholding in DK Digital. Pursuant to the shareholders' agreement, any disposition of the DK Digital Shares by any of the shareholders will require approval by a majority of 60% of the cast votes whereby the shareholder making the disposition is entitled to vote. Any disposition of the DK Digital Shares has to be made in accordance with the shareholder's agreement.

Pursuant to the shareholder's agreement, Mr. Knaup has been granted by the other shareholders of DK Digital, the right to acquire from them 88,890 DK Digital Shares at a consideration of at least EUR12 million (approximately HK$112.3 million) plus interest of 20% p.a. at any time commencing from the date of the Master Agreement and the other related agreements until 30 April 2010. On the other hand, in the event that DK Digital can fulfill the budgeted turnover and earnings before tax according to the approved business plans for the financial years 2006 and 2007 of DK Digital, Mr. Knaup will be entitled to acquire up to 5,555 DK Digital Shares at a total consideration of EUR1.00.

In the event that Mr. Knaup retires from the executive board of directors of DK Digital, each of the other shareholders shall have the option to acquire, pro rata to the existing shareholding, the DK Digital Shares held by him at a price to be determined by reference to the time lapsed since the entering into of the shareholders' agreement, the reason for his departure, the book value of such shares and the principles of corporate valuation recommended by the Institute of Auditors in Germany.

(iii) *Agreement for balancing accounts*

This agreement was entered into among the Company, PVL and the Banking Creditor. Under this agreement, the parties agreed that in the case of insolvency or liquidation of DK Digital in the future, the residual amounts of payout by DK Digital attributable to such parties shall be divided among them in a determined ratio.

5. Information on DK Digital

DK Digital is a non-listed company incorporated in Germany which is principally engaged in the trading and design of digital consumer electronics products in Europe, in particular, Germany.

The "DK Digital" brand name is applied to major product groups of DVD players, surround sound systems, audio products, gift products, MP3 players and car radios. DK Digital has been a customer of the Group for over four years. During the past few years, sales by the Group, directly and indirectly, to DK Digital ranged from approximately HK$32 million to HK$310 million, representing approximately 1.2% to 11.6% of the Group's total turnover in the relevant year.

For the year ended 30 April 2003, DK Digital recorded an audited net profit before taxation of approximately EUR3.3 million (or HK$30.9 million) and an audited net profit after taxation of approximately EUR3.2 million (or HK$30.0 million). Due to overspending on exhibition and promotion for new products, bad debts and the high interest and finance costs, the operations of DK Digital have deteriorated and faced a liquidity problem. For the year ended 30 April 2004, the audited net profit before taxation and net profit after taxation of DK Digital reduced significantly to approximately EUR178,000 (or HK$1.7 million) and approximately EUR101,000 (or HK$0.9 million) respectively. As disclosed in the Master Agreement, DK Digital had an unaudited net shareholders' deficit of approximately EUR12 million (or HK$112.3 million) as at 31 March 2005.

6. Reasons for the entering into of the Master Agreement and the other related agreements

The transactions under the Master Agreement and the other related agreements as described above are part and parcel of a debt compromise and restructuring arrangement among DK Digital and its major creditors including the Company with a view to restoring the financial viability and supporting the recovery of DK Digital.

Immediately before completion of the Master Agreement and the other related agreements, DK Digital was indebted to the Group in the amount of approximately US$3.8 million (or HK$29.6 million) which arose from purchases of products by DK Digital from the Group. No provision has been made by the Group for its account receivables from DK Digital except for a product quality claim of approximately US$1.1 million (or HK$8.6 million) made in 2003. In light of the significant shareholders' deficit and the liquidity problem faced by DK Digital, the Directors believe that it would be slow to recover the amount due from DK Digital and the debt compromise and restructuring arrangement represents the best alternative available to the Group. Moreover, the investment in DK Digital Shares would enable the Group to gain exposure in retail marketing of audio and visual ("AV") products in the European market which would be useful for the Group if it is to develop its own retail business in Europe in the future.

The Directors are of the view that given the established brand name of DK Digital and the existing market share being enjoyed by DK Digital, the core business of DK Digital remains viable. After implementation of the debt compromise and restructuring arrangement under the Master Agreement and the other related agreements, DK Digital would have a healthier financial footing to revamp its operations. In addition, new management has been introduced at DK Digital to improve control and operation of its business. The continuous supply of products to DK Digital pursuant to the Master Agreement serves to provide continuing support to DK Digital in its turnaround plan which, if successfully implemented, would in turn benefit the Group through its shareholding in DK Digital.

Immediately after completion of the Master Agreement and the other related agreements, DK Digital was indebted to the Group in the amount of approximately US$750,000 (or HK$5.9 million). As at the date of this announcement, the Company is interested in approximately 19.05% of the issued share capital of DK Digital which is accounted for as a long term investment of the Group. In the event that the Master Agreement and the other related agreement are not approved at the EGM, the relevant transactions under the Master Agreement and the other related agreements will be reversed and the amount of account receivables from DK Digital will be reinstated by the amount waived of US$3.05 million (approximately EUR2.54 million or HK$23.8 million). Such amount will, in such event, remain as account receivables and the Group will pursue the recovery of such amount accordingly. In the audited consolidated financial statements of the Group for the year ended 31 March 2005, no provision was made against the account receivables from DK Digital as the Board was of the view that the value of such amount was subject to negotiations which led to the Master Agreement and the other related agreements. The relevant transactions under the Master Agreement and the other related agreements are not expected to have any material adverse financial impact on the Group.

The terms of the Master Agreement and the other related agreements were arrived at after arm's length negotiations among the Company and the other parties thereto. Based on the above, the Directors (excluding the independent non-executive Directors who will be further advised by the independent financial adviser) consider the terms of the Master Agreement and the other related agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. Condition subsequent

Completion of the Master Agreement and the other related agreements took place on 29 April 2005. Subsequently, the Company and DK Digital agreed that in the event that the Company is not able to obtain the Independent Shareholders' approval at the EGM required under the Listing Rules on or before 26 October 2005, the interest, benefits, burdens and obligation attributable to the Company under the Master Agreement and the other related agreements will be treated as rescinded and the position of the Company will be reinstated to that as of 27 April 2005 insofar as each of the aforesaid agreements are concerned.

Given that Eurochron and PVL are parties to the Master Agreement and the other related agreements and are also wholly-owned subsidiaries of Egana which is a substantial Shareholder, the relevant transactions thereunder constitute connected transactions for the Company under the Listing Rules and are subject to the approval of the Independent Shareholders at the EGM where Egana and its associates will be required to abstain from voting on the relevant resolution. Such transactions also constitute a discloseable transaction for the Company under the Listing Rules.

8. Non-compliance with the Listing Rules

Pursuant to Rules 14.34 and 14A.47 of the Listing Rules, the Company is required to make an announcement as soon as the terms of the Master Agreement and the other related agreements have been finalised. In addition, pursuant to Rule 14A.18, the relevant transactions under the Master Agreement and the other related agreements are required to be made conditional on prior approval by the Shareholders in general meeting. For the purposes of the debt compromise and restructuring arrangement for DK Digital, the Company, as one of the creditors participating in such arrangement and a minority shareholder of DK Digital upon completion thereof, executed relevant powers of attorney to appoint a representative in Germany to facilitate the negotiations of the terms of the Master Agreement and the other related agreements on its behalf. However, due to the fact that the Company was not promptly informed of the results of the finalisation of the terms of the Master Agreement and the other related agreements, it was not able to ascertain the implications of the Listing Rules as a result of the entering into of such agreements on a timely basis. Accordingly, the Company has not fully complied with the aforesaid requirements of the Listing Rules. The Board has taken appropriate remedial action so as to avoid future breaches of the Listing Rules. The Stock Exchange has expressed that it will reserve its rights to take appropriate action against the Company and/or the Directors in this regard.

THE PVL SALES AGREEMENT

1. Date

15 September 2005

2. Parties

(i) the Company, as the supplier;

(ii) PVL, as the buyer; and

(iii) Egana, as the guarantor to PVL in favour of the Company.

3. Background

The Group is principally engaged in the design, manufacture and trading of consumer electronic products and components and home appliance products.

PVL, a wholly-owned subsidiary of Egana, is engaged in the trading of a variety of products in Germany and acts as the distribution agent of the Group in Germany. As such, PVL has been purchasing a variety of AV products from the Group in the ordinary and usual course of business of the Group. Egana has been a substantial Shareholder since listing of the Shares on the Stock Exchange in 1997 and is interested in approximately 20.4% of the issued share capital of the Company as at the date of this announcement. PVL is therefore a connected person of the Company and the PVL Sales therefore constitute continuing connected transactions for the Company under the Listing Rules.

On 16 August 2002, the Company was granted the conditional Waiver by the Stock Exchange from the further press announcement and Independent Shareholders' approval requirements as stipulated in the then Listing Rules (which were effective prior to 31 March 2004) in respect of, among others, the PVL Sales for the three years ended 31 March 2005 provided that the aggregate value of the PVL Sales does not exceed a cap amount of 5% of the Group's total annual sales for the respective year. According to the audited consolidated financial statements of the Group for the three years ended 31 March 2005, the aggregate value of the PVL Sales amounted to approximately HK$19.0 million, HK$24.6 million and HK$23.5 million respectively, which represented approximately 0.7%, 1.2% and 0.9% of the total turnover of the Group in the relevant financial year. The Group has not exceeded any of the limits set out in the Waiver. Details of the PVL Sales for the three years ended 31 March 2005 were disclosed in each of the annual reports of the Company for the relevant financial years. For the period from 1 April 2005 to 31 August 2005, no PVL Sales have been recorded. The Directors will ensure that up to the date of the EGM, the aggregate amount of PVL Sales will not exceed the amount of HK$10,000,000.

4. Reasons for the entering into of the PVL Sales Agreement

As the Waiver expired on 31 March 2005 and it is expected that the PVL Sales will continue in the years to come with value exceeding HK$10,000,000 per annum, the future PVL Sales will constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules. The Group and PVL therefore entered into the PVL Sales Agreement on 15 September 2005 setting out the basic terms and conditions of the PVL Sales for a term of three years ending on 31 March 2008, including the basis for calculation of the sales value and the payment terms.

The Company will seek the approval by the Independent Shareholders by way of a poll at the EGM of the PVL Sales Agreement and the transactions contemplated thereunder on the following conditions:

(i) the amount of PVL Sales for each of the financial years ending 31 March 2006, 2007 and 2008 shall not exceed HK$50 million, HK$120 million and HK$200 million respectively;

(ii) the PVL Sales will be in compliance with the following:

(a) the PVL Sales will be entered into in the ordinary and usual course of business of the Group;

(b) the PVL Sales will be conducted either on normal commercial terms, or if there is no available comparison, on terms no less favourable to the Group than terms available from independent third parties; and

(c) the PVL Sales will be entered into in accordance with the terms of the PVL Sales Agreement that are fair and reasonable and in the interests of the Shareholders as a whole; and

(iii) compliance by the Company with all other relevant requirements under the Listing Rules including Rules 14A.36, 14A.38 to 14A.40 and 14A.45 to 14A.48 of the Listing Rules.

5. Basis of the Caps

The annual Cap for each of the years ending 31 March 2006, 2007 and 2008 was determined after taking into consideration (i) the actual volumes of the PVL Sales recorded in the last three financial years; (ii) the estimated pricing trends in the market for the AV products sold to PVL; (iii) the estimated market volume trends for the AV products under the PVL Sales; and (iv) the projected and forecast sales information from PVL. The amount of the Caps represents a significant increment on previously transacted amounts. As mentioned in term (ii) under the sub-section headed "Principal terms of the Master Agreement" above, the Group's sales previously transacted directly with DK Digital will now be conducted through PVL. As disclosed under sub-section headed "Information on DK Digital" above, in the previous years, sales by the Group to DK Digital amounted to an annual maximum of HK$310 million.

The Directors consider that the PVL Sales are beneficial to the Group in terms of their contribution to the Group's profitability and cash flow and the entering into of the PVL Sales Agreement serves to maintain the long-term business relationship with PVL and is in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors who will be further advised by the independent financial adviser) also consider that the PVL Sales are entered into in the ordinary and usual course of business of the Group, the terms of which are on normal commercial terms, and the Caps are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

GENERAL

The relevant transactions under the Master Agreement and the other related agreements constitute a discloseable transaction for the Company under the Listing Rules. Given that Eurochron and PVL are parties to the aforesaid agreements and also wholly-owned subsidiaries of Egana which is a substantial Shareholder, such transactions also constitute connected transactions for the Company under the Listing Rules and are subject to the approval of the Independent Shareholders at the EGM where the voting on the relevant resolution will be taken on a poll.

Given that PVL and Egana are parties to the PVL Sales Agreement, the PVL Sales contemplated thereunder constitute non-exempt continuing connected transactions for the Company under the Listing Rules and require the approval of Independent Shareholders at the EGM where the voting on the relevant resolution will be taken on a poll.

Egana and its associates will be required to abstain from voting on the resolutions to be proposed at the EGM to approve the Master Agreement and the other related agreements as well as the PVL Sales Agreement and the transactions contemplated thereunder including the Caps.

A circular will be despatched to the Shareholders as soon as practicable containing details of, among other things, the Master Agreement and the other related agreements as well as the PVL Sales Agreement and the Caps; the letter of recommendation from the independent board committee of the Company and the letter of advice from the independent financial adviser in respect of the terms thereof; and a notice to convene the EGM.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"associates"	has the meaning ascribed to it under the Listing Rules
"Banking Creditor"	a banking creditor of DK Digital which is a bank in Germany and a party to the Master Agreement and the other related agreements for the debt compromise and restructuring arrangement for DK Digital
"Board"	the board of Directors
"Cap(s)"	the maximum aggregate annual amount of PVL Sales for each of the three years ending 31 March 2008
"Company"	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"DK Digital"	DK Digital AG, a company incorporated in Germany
"DK Digital Shares"	bearer shares of EUR1.00 each in the capital stock of DK Digital
"Egana"	EganaGoldpfeil (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
"Egana Group"	Egana and its subsidiaries
"EGM"	the extraordinary general meeting of Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Master Agreement and the other related agreements as well as the PVL Sales Agreements and the transactions contemplated thereunder including the Caps
"Eurochron"	Eurochron GmbH, a wholly-owned subsidiary of Egana
"Finance Creditor"	a finance creditor of DK Digital which is an investment company in Germany and a party to the Master Agreement and the other related agreements for the debt compromise and restructuring arrangement for DK Digital
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	Shareholders other than Egana and its associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Agreement"	the master agreement dated 27 April 2005 and supplemented on 12 July 2005 in relation to, among other things, the waiver of account payables owed by DK Digital to its creditors including the Company
"Minority DK Shareholder"	the 10% shareholder of DK Digital immediately before completion of the share sale and transfer agreement detailed above
"Mr. Knaup"	Mr. Dietmar Knaup, the founding shareholder of DK Digital
"PVL"	Pioneer Ventures Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Egana

"PVL Sales"	the transactions between the Group and PVL whereby AV products are sold by the Group to PVL on a continuing basis
"PVL Sales Agreement"	the agreement entered into on 15 September 2005 between the Group as the supplier and PVL as the buyer to govern the PVL Sales for the three years ending 31 March 2008
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trade Creditor"	a trade creditor of DK Digital principally engaged in the sale of batteries and technical watchmaker's utensils and a party to the Master Agreement and the other related agreements for the debt compromise and restructuring arrangement for DK Digital
"Waiver"	the conditional waiver granted by the Stock Exchange to the Company from further press announcement and Independent Shareholders' approval requirements as stipulated in the then Listing Rules (which were effective prior to 31 March 2004) in respect of, among others, the PVL Sales for the three years ended 31 March 2005
"EUR"	Euro
"HK$"	Hong Kong dollars
"US$"	United States dollar(s)
"%"	per cent.

In this announcement, the exchange rates of EUR1.0 = US$1.2, EUR1.00 = HK$9.36 and US$1.0 = HK$7.8 have been adopted for illustration purposes.

By Order of the Board
Ling Siu Man, Simon
Chairman

Hong Kong, 16 September 2005

At the date of this announcement, the Board comprises Mr. Ling Siu Man, Simon, Mr. Lee Ka Yue, Peter, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine, Mr. Au Wai Man, Mr. Liu Hoi Keung, Gary and Mr. Lam Kwai Wah who are executive Directors, Mr. Wong Wai Kwong, David who is a non-executive Director, Mr. Ho Fook Hong, Ferdinand, Mr. Pang Hon Chung and Mr. Cheng Tsang Wai who are independent non-executive Directors.

Please also refer to the published version of this announcement in The Standard and Hong Kong Economic Times.