

	Pages
CORPORATE INFORMATION	2
GROUP STRUCTURE	3
FINANCIAL HIGHLIGHTS	4-5
CHAIRMAN'S STATEMENT	6-9
DIRECTORS AND SENIOR MANAGEMENT PROFILE	10-12
MANAGEMENT DISCUSSION AND ANALYSIS	13-15
REPORT OF THE DIRECTORS	16-22
REPORT OF THE AUDITORS	23
CONSOLIDATED:	
PROFIT AND LOSS ACCOUNT	24
STATEMENT OF RECOGNISED GAINS AND LOSSES	25
BALANCE SHEET	26-27
CASH FLOW STATEMENT	28-29
COMPANY:	
BALANCE SHEET	30
NOTES TO FINANCIAL STATEMENTS	31-55
FINANCIAL SUMMARY	56
PROPERTIES HELD BY THE GROUP	57-58
NOTICE OF ANNUAL GENERAL MEETING	59-62

DIRECTORS

Executive Directors

Mr. LING Siu Man, Simon (*Chairman*)
Mr. LEE Ka Yue, Peter
Mr. WONG Ki Cheung
Ms. LI Fung Ching, Catherine
Mr. AU Wai Man
Mr. LIU Hoi Keung, Gary

Non-executive Directors

Mr. WONG Wai Kwong, David
Mr. HO Fook Hong, Ferdinand
Mr. PANG Hon Chung

REGISTERED OFFICE

Ugland House
South Church Street
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit B, 10th Floor
Summit Building
30 Man Yue Street
Hung Hom
Kowloon
Hong Kong

COMPANY SECRETARY

Mr. LIU Hoi Keung, Gary, FCCA, AHKSA

LEGAL ADVISORS

Richards Butler

AUDITORS

Ernst & Young

AUDIT COMMITTEE

Mr. WONG Wai Kwong, David (*Chairman*)
Mr. HO Fook Hong, Ferdinand
Mr. PANG Hon Chung

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hong Kong and Shanghai Banking
Corporation Limited
The Standard Chartered Bank Limited

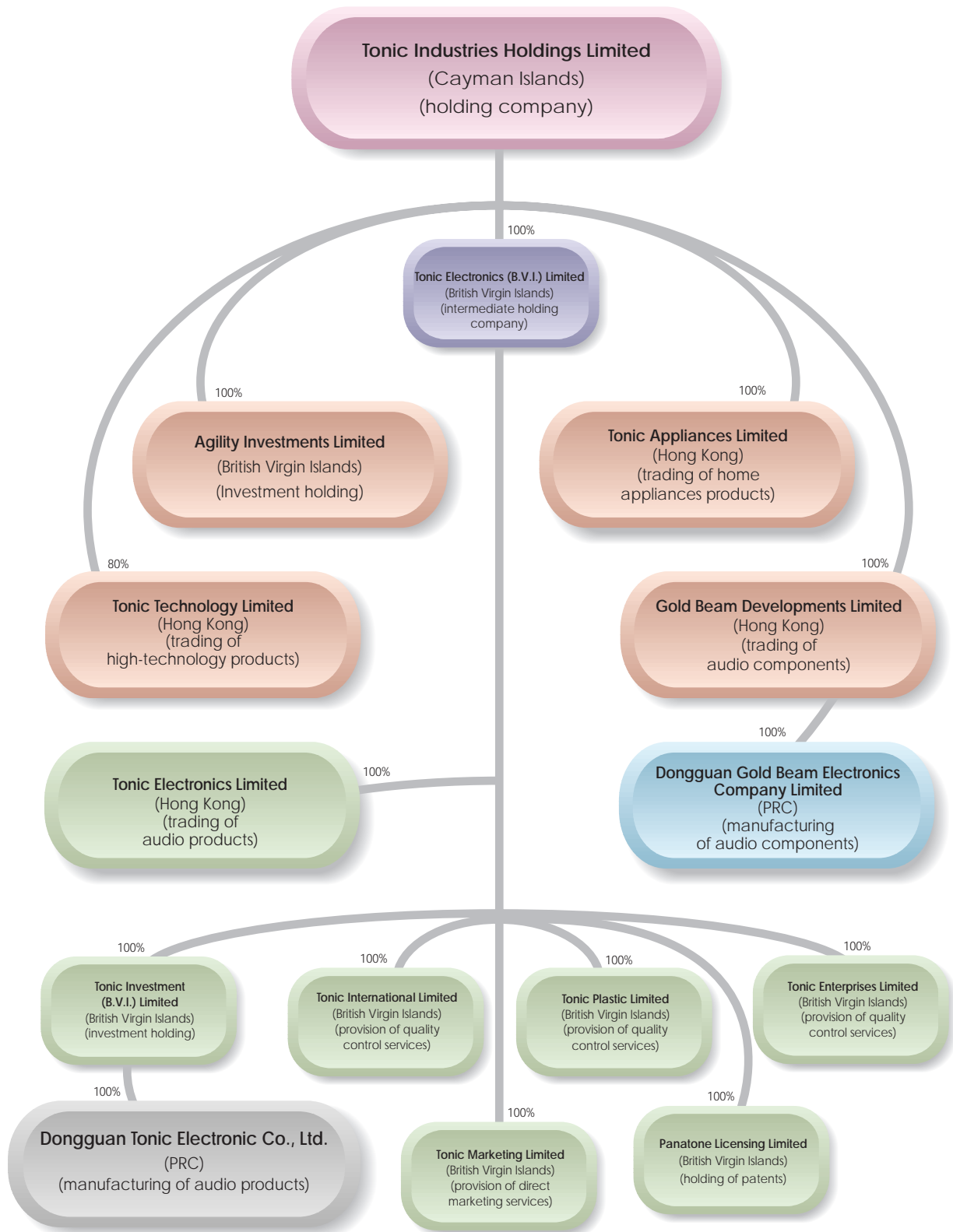
SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong
Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

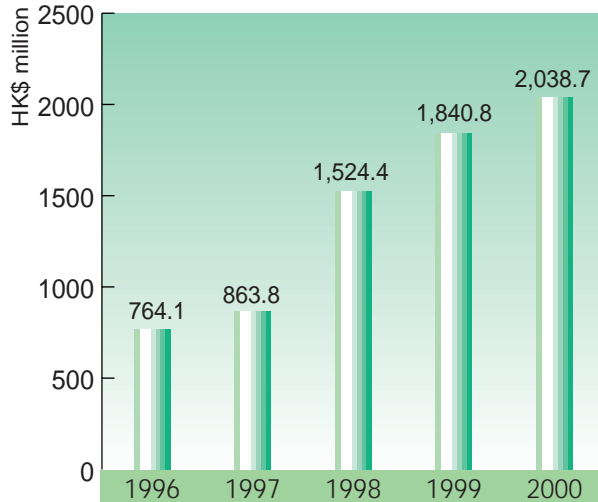
In Cayman Island
Bank of Butterfield International (Cayman) Ltd.
Butterfield House
PO Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

WEBSITE

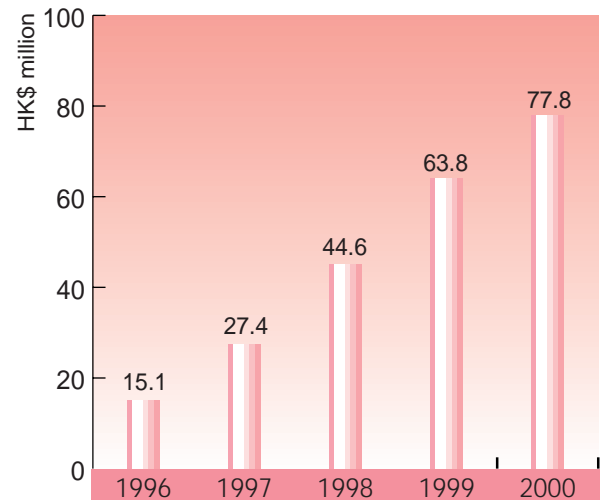
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www.irasia.com/listco/hk/tonic



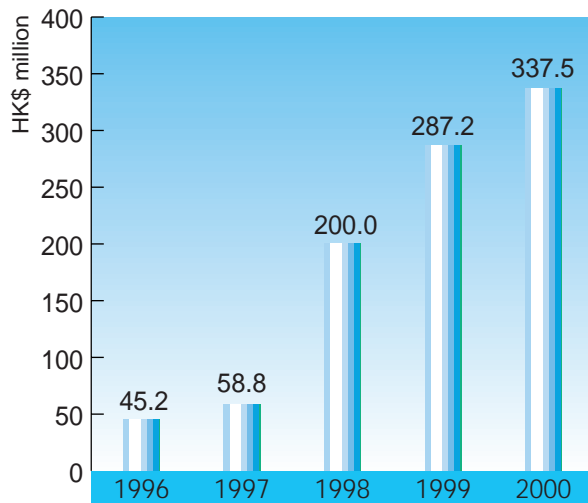
TURNOVER



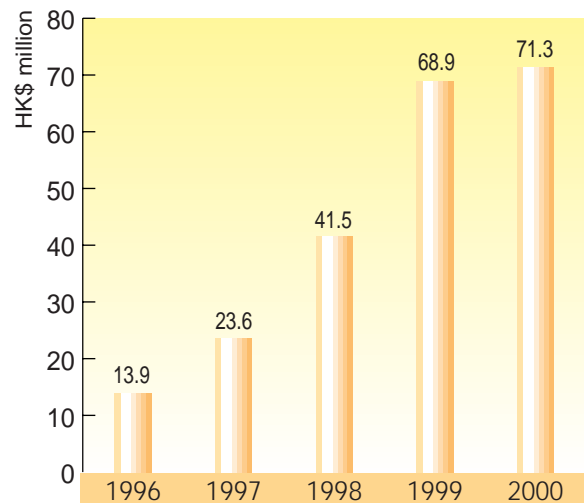
PRE-TAX PROFIT FROM OPERATION



SHAREHOLDERS EQUITY



NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS





TURNOVER BY GEOGRAPHICAL REGION

Americas	37%
Asia	34%
Europe	26%
Others	3%



TURNOVER BY PRODUCT CATEGORY

Discmans	36%
Portable CD/Cassette Recorders	20%
MD Hi-Fi	19%
Mini & Micro Compo Systems	19%
Others	6%

MAJOR FINANCIAL INDICATORS AND RATIOS

	2000	1999	1998
Gearing Ratio	0.32	0.51	0.61
Inventory Turnover Period	43 days	28 days	54 days
Account Receivable Turnover Period	20 days	10 days	21 days
Earnings Per Share	12.6 cents	12.2 cents	8.5 cents
Net Assets	HK\$338 million	HK\$287 million	HK\$200 million



Mr. LING Siu Man, Simon
Chairman & Managing Director

Dear Shareholders,

I am pleased to present to you the annual report of Tonic Industries Holdings Limited and its subsidiaries (the "Group") for the year ended 31 March 2000.

RESULTS

Summary of the financial results of the Group for the year ended 31 March 2000 are as follows:

- Turnover was HK\$2,039 million, represented an increase of approximately 11%;
- Pretax profit from operations was HK\$78 million, represented an increase of approximately 22%;
- Profit attributable to shareholders was HK\$71 million, represented an increase of approximately 3%;
- Basic earnings per share was HK12.6 cents, represented an increase of approximately 3%; and
- Proposed final dividend per share was HK3.8 cents.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of HK3.8 cents per share for the year ended 31 March 2000 to shareholders whose names appear on the Company's Register of Members on 26 September 2000 (the "Proposed Final Dividend"). Subject to the approval of the Company's Members at the forthcoming Annual General Meeting, the final dividend will be paid on or before 18 October 2000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 September 2000 to 26 September 2000, both days inclusive, during which period no transfer of shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 21 September 2000 in order to qualify for the Proposed Final Dividend.

BUSINESS REVIEW AND OUTLOOK

Generally the export market for the consumer electronic products is still very strong, the economy of the European countries continue to grow which benefit the Group. Sales to the United States decreased by approximately 20% as a result of severe competition in the region. However our sales in Japan increase significantly due to popularity of our high end CD and MD products.

This year we saw the successful launch of the MD Hi-Fi products for our OEM customer, the products contribute to more than 19% of the total turnover of the Group. We will extend our sales of MD to our ODM customers in 2000 and expect continue growth in the coming years. **New audio products are being developed which include MP3 Discman, CD-RW and DVD, will be launched later this year.** Initial market responses are tremendous and we believe there is a potentially huge market for these products.



Audio CD Recorder (CD-RW)



MP3 Discman

While we have sufficiently vertically integrated our manufacturing process, we have plans to diversify our sales to different products. Our home appliances division, Tonic Appliances Limited, has its innovated 3 in 1 coffee making machine successfully launched earlier this year and subsequent models are being developed. Sales have already covered the United States and Europe. With the subsequent launch of new models and new products later this year, contribution from this division will become much more significant.

Another new division, Tonic Technology Limited, which focuses on the development of advance technology products, will have its digital satellite receivers and internet set top box ready for production in the last quarter of the year. Television broadcast is undergoing its transition to digital signaling and demand for digital signal enabling satellite receivers is expected to be huge. Internet set top box already has its market in the developed countries. Its presence is gradually became known to other countries for its lower cost vehicle to access the World Wide Web.

The way businesses are transacted on the Internet has greatly affected the manufacturing industry, in particular the way Company could potentially save costs over the purchases on Internet. **The Group is currently studying the possibility of transforming its traditional procurement system into e-procurement with a B2B platform and logistics system.** A B2B procurement platform could help the Company to lower its procurement transaction costs and open opportunity for the Company to obtain the cheapest components. It is expected that Egana.Com Inc of EganaGoldpfeil (Holdings) Ltd (a substantial shareholder of the company) would be of direct contribution in this regard.



Digital Satellite Receiver

The latest factory block of the Group (the Block number 8) was put into use in June this year. This factory block provides an additional production space of more than 350,000 square feet complementing the existing 1,000,000 square feet production area. **Production capacity is expected to increase by 40% this year.** Total investment for the new factory block, automated machinery and production lines are budgeted at HK\$100 million, and it will be financed by term loans from the existing bankers of the Group.



3 in 1 Coffee Making Machine

Capitalising on our proven management expertise in the industry and the pioneer technology knowhow, we are well positioned to develop our extensive range of highest quality products to the satisfaction of our business associates, with a continuous enhancement of the shareholder value going forward.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks and express appreciation to my fellow directors and staff for their valuable support and devotion to the Group for the past years.

LING Siu Man, Simon
Chairman

Hong Kong, 8 August 2000

EXECUTIVE DIRECTORS

Mr. LING Siu Man, Simon, aged 50, is the Chairman and Managing Director of the Company. Mr. Ling founded the business of the Group in 1976 and has over 25 years experience in the electronics industry. Mr. Ling is responsible for the strategic planning, corporate policy, and marketing aspects of the Group.

Mr. LEE Ka Yue, Peter, aged 53, was appointed to the Board following the participation of EganaGoldpfeil in the Company in June 1997. He is responsible for advising on the financial and corporate policies of the Group as well as overseeing overall coordination between EganaGoldpfeil and the Group. He is also an executive director of EganaGoldpfeil and has over 30 years experience in the timepiece and jewellery businesses as well as in the consumer electronics industry.

Mr. WONG Ki Cheung, aged 50, joined the Group in 1976 and is responsible for the Group's overall management, purchasing and materials control functions.

Ms. LI Fung Ching, Catherine, aged 46, joined the Group in 1976 and is responsible for the management of the accounting, treasury and administrative functions of the Group.

Mr. AU Wai Man, aged 55, is the Group's engineering consultant. He is responsible for the research and development of the Group's new products. Prior to joining the Group in 1995, he has over 28 years experience in electronic product engineering.

Mr. LIU Hoi Keung, Gary, aged 35, joined the Group in 1997 and is responsible for the financial management and company secretarial matters of the Group. He is an associate of the Hong Kong Society of Accountants and a fellow of the Association of Chartered Certified Accountants. Prior to joining the Group, he has over 9 years experience in accounting, auditing and taxation.

NON-EXECUTIVE DIRECTORS

Mr. WONG Wai Kwong, David, aged 42, has over 20 years experience in finance, accounting, corporate and taxation affairs. He is a fellow of The Association of Chartered Certified Accountants, and an associate of the Hong Kong Society of Accountants, the Australian Association of Practising Accountants and the Australasian Association of Secretaries and Managers. He is a director of International Taxation Advisory Services Limited. Mr. Wong is also a non-executive director of EganaGoldpfeil, as well as four other Hong Kong listed companies.

Mr. HO Fook Hong, Ferdinand, aged 52, holds a bachelor's degree in science and a master's degree in business administration from the University of Hong Kong and is a solicitor of the Supreme Courts of Hong Kong, England and Wales and Singapore. Mr. Ho is an Attesting Officer appointed by the Ministry of Justice of the PRC. Mr. Ho also serves as an independent non-executive director of Winsor Industrial Corporation Limited and Winsor Properties Holdings Limited.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. PANG Hon Chung, aged 49, holds a master's degree in business administration, and is a member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. Mr. Pang has extensive experience in business management and is the general manager of Lotus International Limited. He is also a director of Graneagle Holdings Limited.

SENIOR MANAGEMENT

Mr. LAU Tak Loi, Wilsum, aged 44, is the marketing director of Tonic Electronics Limited. He is mainly responsible for the Company's marketing activities in the USA. Mr. Lau has over 21 years experience in marketing of electronic products and he joined the Group in 1986.

Mr. LAU Yeung Ping, aged 43, is the engineering director of Tonic Electronics Limited and is responsible for the development of the Company's general audio products. He has over 24 years experience in electronic engineering and he joined the Group in 1979.

Mr. YEUNG Hon Po, aged 52, is the production manager of Tonic Electronics Limited. Mr. Yeung is responsible for the manufacturing operations of the Company in Dongguan. He has over 33 years experience in the production of audio products and he joined the Group in 1978.

Mr. OTOGURO Yoshishige, aged 57, is responsible for the research and development of Tonic Electronics Limited's audio products. He has a degree in electronic science from Kougakuin University, Japan and has over 36 years experience in design, quality control and product development before joining the Group in 1996.

Mr. KIMISHISA Hotozuka, aged 53, is responsible for the supervision of Tonic Electronics Limited's production lines in Dongguan. Mr. Kimishisa has extensive experience in product engineering in various Japanese enterprises and has over 31 years working experience prior to joining the Group in 1996.

Mr. CHAN Pak Kin, aged 49, is the factory manager of Tonic Electronics Limited. Prior to joining the Group in 1992, he has over 16 years experience in engineering and production of electronic products. Mr. Chan is responsible for implementing the ISO program of the Group and also overseeing the operation of the speaker factory.

Mr. CHUI Wing Kwong, aged 51, is the general manager of Gold Beam Developments Limited. Mr. Chui joined the Group after the acquisition by the Group of the new factory at Qi Shi in 1998. Mr. Chui is responsible for the overall management of the Qi Shi factory. Mr. Chiu has over 26 years experience in the manufacturing of audio, plastic and metal products.

SENIOR MANAGEMENT (Continued)

Mr. LAM Kwai Wah, Peter, aged 35, is the marketing director of Tonic Electronics Limited. He is mainly responsible for the Company's marketing activities in Europe. Mr. Lam has over 15 years experience in marketing of electronic products and home appliances and he joined the Group in 1998.

Mr. WONG Wai Fan, Peter, aged 36, is the group accountant of the Group. He is mainly responsible for the preparation of the Group's financial reports. Mr. Wong received a bachelor honour degree in Business Administration from the Hong Kong University of Science & Technology. He is an associate of the Association of International Accountants and the Hong Kong Society of Accountants. Mr. Wong has over 12 years experience in the field of accounting.

Ms. TAM Wing Ki, Samantha, aged 24, is the director of Tonic Appliances Limited. She graduated from the University of Michigan Business School and joined the Group in 1998. She is responsible for the management and marketing of the home appliances division.

TURNOVER BY PRODUCTS AND AREAS

MD quickly becomes an important revenue contributor after the introduction on March 1999. Turnover of MD represents 19% of the total sales of the Group. MD has a higher selling price and generally provides a better margin. For other regular audio items, CD portables are still the largest products selling group, while demand for portable CD/Cassette recorders and mini Hi-Fi system continues to be strong.

The present markets for MD are mainly Asia especially Japan and therefore sales to this region increase significantly. On the other hand, sales to US decreased as a result of severe competition and lower margin.

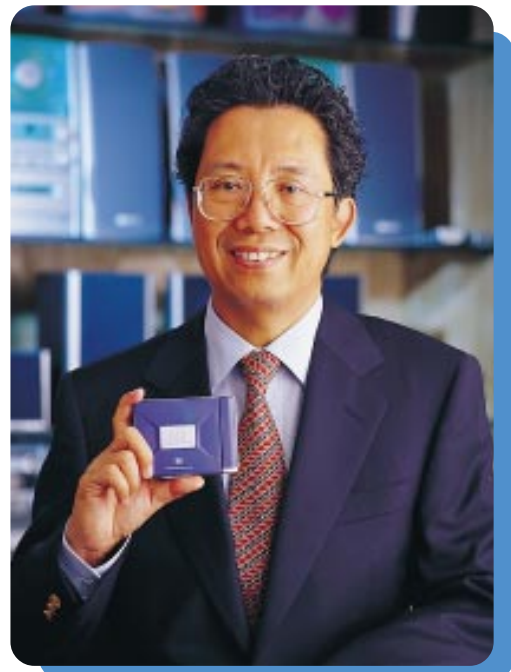
EXCHANGE GAIN ARISING FROM FORWARD EXCHANGE CONTRACT FOR HEDGING

Majority of the Group's sales are denominated in US dollars and therefore the Group has regular US dollars cash inflow. For hedging purpose the Group sells US dollars forward contract through banks. When the forward US dollars exchange rate appreciates, the Group will generate exchange gain on receiving the US dollars. For the year ended 31 March 1999, the Group has generated HK\$12,221,000 exchange gain that was disclosed as exceptional item in the Group's financial statements. The current year amount of this net exchange gain was only HK\$211,000. And due to the requirements of the revised SSAP, these amounts were not separately shown as exceptional.

CAPITAL EXPENDITURE

The Group did not incur significant capital expenditure this year, addition of fixed assets is mainly replacement of production equipment and the making of new moulds. At the end of 1999, the Group commences the construction of a new factory building number 8 and the factory block was completed on June 2000. Total construction cost of this block, together with addition of new automated machineries, electrical generators and production lines set up etc are budgeted to be approximately HK\$100,000,000. The Group has already arranged 3 years term loans from the existing bankers to finance the project.

The new factory block provides additional production area of approximately 350,000 square feet, expected to increase production capacity for 40%. This factory block has been fully utilised at the moment.



FINANCIAL PERFORMANCE

Turnover increased by approximately 11% mainly due to the change in product mix and more automation employed in manufacturing high end products. Gross profit margin remains similar to last year; margin for general audio products has decreased which was compensated by sales of higher margin MD products.

Turnover period for inventory, accounts receivable and payable are higher as compare to last year but are in line with the industry. The inventory turnover period is approximately 1.5 months and accounts receivable less than one month. There are net current assets this year as compare to net current liabilities last year, more resources are reserved for the construction of new factory block. Gearing continue to decrease and became 0.32 this year, it is expected that gearing will rise up to approximately 0.5 after the construction of the new factory block and the drawing of the term loans.

MATERIALS SHORTAGE

Starting from the beginning of 2000, the consumer electronics market experience materials shortage namely integrated circuits and semiconductors. The shortage is mainly due to the increase in worldwide demand of these components from many industries. The Group well anticipated the situation and has taken measures to book advance materials needed for production. In addition, the Group has constantly look for other alternative materials to replace the shortage one. Due to our long and good relationship with key suppliers, we manage to mitigate the effect of the shortage to our production planning. The shortage did slightly drive up the materials cost, but the Group is capable to transfer this cost to the customers to a certain extent.

We foresee that the problem will carry over to 2001 but the Group is confident that with its experience in the industry, the relationship with key suppliers and advance preparation, there should not be any material adverse effects to the business.



Metal Power Press Machines



Assembly Line at Home Appliance Division



Adaptors Division

YEAR 2000 READINESS

The Group has adopted Y2K conformity requirements issued by the British Standards Institution as the definition of Y2K compliance for the computers and the embedded systems. Over the millennium change period, the Group carried out relevant testing and checking on systems and equipments, and as part of the overall program, the Group also tested various dates in 2000 that might cause systems and equipment problem. The result is satisfactory and no disruption to the business process was discovered due to any Y2K problem. The new manufacture resources planning system used by the Group has proven to be fully Y2K compliant.



In Circuit Tester for MD

AUDIT COMMITTEE

Pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), an audit committee comprising all the Company's non-executive directors was established on 1 April 1999. References have been made to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in terms of its formation and duties. The Committee has held regular meetings since its establishment and three meetings are planned to be held each year.

The directors herein present their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are engaged in the design, manufacture and marketing of consumer audio products. There were no changes in the nature of the Company's and the Group's principal operations during the year.

Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements.

SEGMENTAL INFORMATION

The principal activity of the Group is the manufacture and trading of consumer audio products. A geographical analysis of the Group's turnover, by market, for the year ended 31 March 2000 is as follows:

	Turnover	Percentage
	HK\$'000	%
By geographical region:		
The United States of America	757,991	37
Europe	523,576	26
Asia Pacific countries	683,546	34
Others	73,587	3
	2,038,700	100
Total	2,038,700	100

Contribution to Operating profit from operating activities by geographical region is not presented as the contribution from each region is substantially in line with the ratio of profit to turnover of the Group.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 55.

An interim dividend of HK1.5 cents per share was paid to shareholders on 25 January 2000. The directors recommend the payment of a final dividend of HK3.8 cents per share in cash (the Proposed Final Dividends) to shareholders whose names appear on the register of members on 26 September 2000. This recommendation has been incorporated in the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 20 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$107,102,000. Under the Companies Law (1998 Revision) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and, provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors, the Company's reserves available for distribution represent the share premium, contributed surplus and retained profits.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 80% of the total turnover of the Group and the largest customer accounted for approximately 38% of the total turnover of the Group.

During the year, the five largest suppliers in aggregate accounted for approximately 50% of the total purchases of the Group and the largest supplier accounted for approximately 18% of the total purchases of the Group.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited), nor any shareholders which to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in the five largest customers or suppliers.

FINANCIAL SUMMARY

A summary of the combined/consolidated results and of the assets and liabilities of the Group is set out on page 56 of the annual report.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 March 2000 are set out in note 14 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the share capital, warrants and share options of the Company during the year and the reasons therefor are set out in note 19 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

BORROWINGS

Details of bank borrowings as at 31 March 2000 are set out in note 17 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ling Siu Man, Simon (*Chairman and Managing Director*)
Lee Ka Yue, Peter
Wong Ki Cheung
Li Fung Ching, Catherine
Au Wai Man
Liu Hoi Keung, Gary

Non-executive directors:

Wong Wai Kwong, David
Ho Fook Hong, Ferdinand*
Pang Hon Chung*

* Independent non-executive directors

In accordance with Article 116 of the Company's Articles of Association, Lee Ka Yue, Peter and Wong Wai Kwong, David will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of the non-executive directors are the periods from their dates of appointment up to their retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

All the executive directors, other than Lee Ka Yue, Peter and Liu Hoi Keung, Gary, have entered into service contracts with the Company for terms of three years commencing from 18 September 1997.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2000, the interests of directors or their associates in the issued share capital and warrants of the Company and its associated corporation, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

(a) The Company

Name of directors	Nature of interest	Number of ordinary shares held	Number of warrants held
Ling Siu Man, Simon	Corporate (<i>Note</i>)	296,352,000	15,240,000
Liu Hoi Keung, Gary	Personal	3,920	400

Note: These shares and warrants were held by Success Forever Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Ling Siu Man, Simon.

(b) Associated corporation

At 31 March 2000, Ling Siu Man, Simon personally held 2,850 non-voting deferred shares of HK\$100 each of Tonic Electronics Limited, a subsidiary of the Company.

Save as disclosed above, and other than certain shares of the Company's subsidiaries held by certain directors in trust for the Group, none of the directors or any of their associates had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the share option scheme of the Company are set out in note 19 to the financial statements. During the year, no options were granted to directors to subscribe for shares in the Company under this share option scheme.

In addition, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

In relation to the services rendered during the year, on 10 April 2000, the Company granted a total of 19,050,000 options to the executive directors of the Company to subscribe for a total of 19,050,000 ordinary shares of the Company at an exercise price of HK\$0.70 per share on or before 9 April 2010. In the absence of a readily available market value of the share options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the share options granted, and accordingly no value has been included in the remuneration above in relation thereto.

The details of share options granted to each director were as follows:

	Number of options
Ling Siu Man, Simon	10,000,000
Lee Ka Yue, Peter	1,810,000
Wong Ki Cheung	1,810,000
Li Fung Ching, Catherine	1,810,000
Au Wai Man	1,810,000
Liu Hoi Keung, Gary	1,810,000
	19,050,000
	19,050,000

Details of the directors' interests in the Company's warrants are set out in the section "Directors' interests in securities".

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 24 to the financial statements, no contract of significance to which the Company or any of its subsidiaries was a party in which any director had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2000, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage of issued share capital (%)
Success Forever Limited (<i>Note 1</i>)	296,352,000	50.32
Eco-Haru Manufacturing Holdings Limited ("Eco-Haru") (<i>Note 2</i>)	121,100,869	20.57
Glorious Concept Limited ("Glorious Concept") (<i>Note 2</i>)	7,546,000	1.28
EganaGoldpfeil (Holdings) Limited (formerly Egana International (Holdings) Limited) ("EganaGoldpfeil") (<i>Note 2</i>)	128,646,869	21.85
Peninsula International Limited ("Peninsula") (<i>Note 3</i>)	128,646,869	21.85

Notes:

- (1) The entire issued share capital of Success Forever Limited is beneficially owned by Ling Siu Man, Simon as disclosed in "Directors' interests in securities" above.
- (2) The entire issued share capital of Eco-Haru and Glorious Concept is beneficially owned by EganaGoldpfeil.
- (3) The entire issued share capital of EganaGoldpfeil is held as to 38.53% by Peninsula.

Save as disclosed above and other than the directors of the Company whose interests are set out above, no persons had an interest of 10% or more in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

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.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year.

AUDIT COMMITTEE

Pursuant to the requirement of the Listing Rules, an audit committee comprising all the Company's non-executive directors was established on 1 April 1999. Except for Wong Wai Kwong, David, all members of the audit committee are independent non-executive directors. Written terms of reference, which describe the authority and duties of the audit committee, were also adopted by the board on the same date. The audit committee's principal duties include the review and supervision of the Group's financial reporting process and internal controls.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LING Siu Man, Simon

Chairman

Hong Kong, 8 August 2000



To the members

Tonic Industries Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong, 8 August 2000

CONSOLIDATED

PROFIT AND LOSS ACCOUNT

Annual
Report
2000

Year ended 31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TURNOVER	4	2,038,700	1,840,799
Cost of sales		(1,847,347)	(1,669,672)
Gross profit		191,353	171,127
Other revenue		21,380	32,949
Selling and distribution costs		(37,595)	(29,602)
Administrative expenses		(83,034)	(82,982)
PROFIT FROM OPERATING ACTIVITIES	5	92,104	91,492
Finance costs	8	(14,143)	(15,520)
PROFIT BEFORE TAX		77,961	75,972
Tax	9	(6,663)	(7,027)
PROFIT BEFORE MINORITY INTERESTS		71,298	68,945
Minority interests		2	-
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	10	71,300	68,945
Retained profits at beginning of year		139,909	97,204
RETAINED PROFITS AVAILABLE FOR DISTRIBUTION		211,209	166,149
Dividends	11	(30,982)	(26,240)
RETAINED PROFITS AT END OF YEAR		180,227	139,909
EARNINGS PER SHARE	12		
– Basic		12.6 cents	12.2 cents
– Diluted		11.9 cents	12.0 cents

CONSOLIDATED

Annual
Report
2000

STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 2000

	<i>Note</i>	2000 HK\$'000	1999 HK\$'000
Exchange difference on translation of overseas subsidiaries' financial statements	20	(785)	3,525
Revaluation surplus on fixed assets		-	40,539
Net gains/(losses) not recognised in the profit and loss account		(785)	44,064
Net profit for the year		71,300	68,945
Total recognised gains and losses		70,515	113,009

CONSOLIDATED

Annual
Report
2000

BALANCE SHEET

31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	322,686	305,323
Deposits for fixed assets		-	707
Long term investments	15	16,024	16,024
		338,710	322,054
CURRENT ASSETS			
Cash and bank balances		81,348	25,064
Time deposits		50,000	140,000
Accounts receivable		100,099	50,461
Inventories	16	214,840	140,212
Prepayments, deposits and other receivables		16,274	5,013
		462,561	360,750
CURRENT LIABILITIES			
Trust receipt loans	17	101,027	144,448
Accounts payable		281,542	175,890
Accrued liabilities and other payables		36,772	40,354
Current portion of obligations under hire purchase contracts	18	3,752	2,888
Tax payable		5,132	5,139
Proposed final dividend	11	22,390	20,192
		450,615	388,911
NET CURRENT ASSETS/(LIABILITIES)		11,946	(28,161)
TOTAL ASSETS LESS CURRENT LIABILITIES		350,656	293,893
NON-CURRENT LIABILITIES			
Long term portion of obligations under hire purchase contracts	18	(3,865)	(397)
Deferred tax	9	(9,269)	(6,336)
		(13,134)	(6,733)
MINORITY INTERESTS	21(b)	-	-
		337,522	287,160

CONSOLIDATED

BALANCE SHEET

Annual
Report
2000

31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
<hr/>			
CAPITAL AND RESERVES			
Share capital	19	58,889	40,383
Reserves	20	278,633	246,777
		<hr/>	<hr/>
		337,522	287,160
		<hr/> <hr/>	<hr/> <hr/>

LING Siu Man, Simon
Director

LIU Hoi Keung, Gary
Director

CONSOLIDATED

CASH FLOW STATEMENT

Annual
Report
2000

Year ended 31 March 2000

	<i>Note</i>	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	21(a)	89,558	109,690
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		14,239	19,961
Interest paid		(13,690)	(14,813)
Interest element on hire purchase contracts		(453)	(707)
Dividends received		134	-
Dividends paid		(28,784)	(14,688)
Net cash outflow from returns on investments and servicing of finance		(28,554)	(10,247)
TAX			
Hong Kong profits tax paid		(3,435)	(393)
PRC taxes paid		(302)	(609)
Taxes paid		(3,737)	(1,002)
INVESTING ACTIVITIES			
Purchases of long term investments		-	(16,024)
Purchases of fixed assets		(52,844)	(94,656)
Proceeds from disposals of fixed assets		40	35
Deposits paid for fixed assets		-	(707)
Decrease in time deposits, pledged		-	6,818
Decrease in loan receivable		-	358
Net cash outflow from investing activities		(52,804)	(104,176)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		4,463	(5,735)

CONSOLIDATED

CASH FLOW STATEMENT

Annual
Report
2000

Year ended 31 March 2000

	<i>Note</i>	2000 HK\$'000	1999 HK\$'000
FINANCING ACTIVITIES			
	21(b)		
Proceeds from issue of new shares		10,829	410
Net cash outflow from trust receipt loans with maturity of over three months		-	(9,649)
Repayment of bank loans		-	(481)
Repayment of obligations under hire purchase contracts		(4,804)	(6,309)
Minority shareholder's contribution on forming a new subsidiary		2	-
		<u>6,027</u>	<u>(16,029)</u>
Net cash inflow/(outflow) from financing activities			
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		10,490	(21,764)
Cash and cash equivalents at beginning of year		20,616	42,375
Effect of foreign exchange rate changes, net		(785)	5
		<u>30,321</u>	<u>20,616</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
		81,348	25,064
Cash and bank balances		81,348	25,064
Time deposits with original maturity of less than three months when acquired		50,000	140,000
Trust receipt loans with maturity of less than three months		(101,027)	(144,448)
		<u>30,321</u>	<u>20,616</u>

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	14	126,247	120,967
CURRENT ASSETS			
Cash and bank balances		18	12
Prepayments and other receivables		221	166
Dividend receivable		62,390	25,000
		<u>62,629</u>	<u>25,178</u>
CURRENT LIABILITIES			
Accrued liabilities and other payables		495	527
Tax payable		-	243
Proposed final dividend	11	22,390	20,192
		<u>22,885</u>	<u>20,962</u>
NET CURRENT ASSETS		<u>39,744</u>	<u>4,216</u>
		<u>165,991</u>	<u>125,183</u>
CAPITAL AND RESERVES			
Share capital	19	58,889	40,383
Reserves	20	107,102	84,800
		<u>165,991</u>	<u>125,183</u>

LING Siu Man, Simon
Director

LIU Hoi Keung, Gary
Director

1. CORPORATION INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law (1995 Revision) as an exempted company with limited liability on 24 April 1997. On 30 May 1997, pursuant to a reorganisation to rationalise the Group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group through the acquisition, for shares, of the entire issued share capital of Tonic Electronic (B.V.I.) Limited, the former holding company of the Group. The shares of the Company were listed on the Stock Exchange on 16 October 1997.

The principal activity of the Company is investment holding. The subsidiaries are engaged in the design, manufacture and marketing of consumer audio products. There were no changes in the nature of the Company's and the Group's principal operations during the year.

In the opinion of the directors, the ultimate holding company is Success Forever Limited, a company incorporated in the British Virgin Islands.

2. IMPACT OF NEW HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following Hong Kong Statements of Standard Accounting Practice ("SSAPs") have been adopted for the first time in the preparation of the current year's financial statements, together with a summary of their major effects.

- SSAP 1: Presentation of Financial Statements
- SSAP 2: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
- SSAP 24: Accounting for Investments in Securities

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The formats of the profit and loss account and the balance sheets, as set out on pages 24, 26, 27 and 30, have been revised in accordance with SSAP 1, and a statement of recognised gains and losses, not previously required, is included on page 25. Additional disclosures as required are included in the supporting notes.

2. IMPACT OF NEW HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

SSAP 2 prescribes the classification, disclosure and accounting treatment of certain items in the profit and loss account, and specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors. The principal impact of SSAP 2 on the preparation of these financial statements is that exceptional items, previously disclosed on the face of the profit and loss account, are now disclosed by way of note, (note 5 to the financial statements) and are no longer specifically referred to as "exceptional".

SSAP 24 prescribes the accounting treatment and disclosures for investment in debt and equity securities, including in certain circumstances alternative accounting treatments. For these financial statements, as further explained in the accounting policy note below, investments in long term listed securities, which are intended to be held on a continuing basis, are stated at cost less provisions for diminutions in values which are other than temporary on an individual investment basis. Provisions made are recognised as an expense in the profit and loss account. There are no prior period adjustments arising from the adoption of SSAP 24 in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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 the revaluation of fixed assets as further explained below.

Basis of consolidation and presentation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation is calculated to write off the cost or valuation of each asset at the following rates per annum:

Land held under medium and long term leases	Over the remaining lease terms on the straight-line basis
Buildings	4% on the straight-line basis
Leasehold improvements	25% on the reducing balance basis
Furniture and fixtures	25% on the reducing balance basis
Equipment and tools	25% on the reducing balance basis
Motor vehicles	30% on the reducing balance basis
Moulds	25% on the straight-line basis

Construction in progress represents the cost of buildings under construction in the People's Republic of China (the "PRC") not yet ready for its intended use. Construction in progress is stated at cost and depreciation is provided upon transfer to other fixed assets accounts when such fixed assets are ready for their intended use.

Changes in the values of fixed assets are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

Upon the disposal of revalued fixed assets, the relevant portion of the revaluation reserve realised in respect of the previous valuation is credited directly to the retained profits account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (continued)

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Assets held under hire purchase contracts

At the inception of a hire purchase contract, the cost of the asset is capitalised at the present value of the minimum contract payments and recorded together with the obligation, excluding the interest element, to reflect the costs of purchase and financing. Assets held under hire purchase contracts are included in fixed assets and depreciated over the estimated useful lives of the assets. The finance costs of such hire purchase contracts are charged to the profit and loss account so as to produce a constant periodic rate over the contract terms.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable and receivable under operating leases are recorded in the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments in listed securities, which are intended to be held on a continuing basis, and which are held for an identified long term purpose documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose, are stated at cost less any provisions for diminutions in values, on an individual investment basis. Provisions are made when the fair values have declined below the carrying amounts unless there is evidence that the decline is temporary. Fair values are based on the quoted market prices at the balance sheet date for listed securities. Any reduction in carrying amounts is charged to the profit and loss account.

When the circumstances and events that led to the write-downs or write-offs of long term investments cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the appreciation in fair value is credited to the profit and loss account, on an individual investment basis, to the extent of the amount previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (c) dividends, when the shareholders' right to receive payment is established.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are dealt with in the exchange fluctuation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Pension costs

The Group operates defined contribution retirement benefits schemes for its employees, who are eligible and have elected to participate in the schemes, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. When an employee leaves a scheme prior to his/her interest in the Group's contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

4. TURNOVER

Turnover represents the invoiced value of goods sold, net of discounts and returns, after elimination of all significant intra-group transactions.

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2000 HK\$'000	1999 HK\$'000
Depreciation:		
Owned fixed assets	42,550	38,366
Leased fixed assets	2,721	3,745
Operating lease rentals on land and buildings	1,448	1,196
Auditors' remuneration	720	650
Provision for long term loan receivable	-	1,152
Staff costs (including directors' remuneration - Note 6):		
Wages and salaries	106,743	98,312
Pension contributions	1,028	942
Less: Forfeited contributions (Note a)	(178)	(132)
	107,593	99,122
Loss on disposal of fixed assets	13	108
Exchange losses/(gains), net (Note b)	(1,246)	(11,494)
Interest income	(14,239)	(19,961)
Net rental income from land and buildings	(876)	(784)
Dividend income from listed investments	(134)	-
Write back of provision for doubtful debts	(450)	-
	107,593	99,122

Notes:

- (a) As at 31 March 2000, the Group had no forfeited contributions available to offset its future employers' contributions (1999: Nil).
- (b) Included in the comparative amount of HK\$11,494,000 was a net exchange gain of HK\$12,221,000 arising from forward exchange contracts for hedging of a portion of the Group's sales receipts. This amount of HK\$12,221,000 was disclosed as exceptional item in the prior year and reclassified to comply with the disclosure requirements of the revised SSAP 2 as further detailed in note 2 to the financial statements.

6. DIRECTORS' REMUNERATION

	2000 HK\$'000	1999 HK\$'000
Fees	-	-
Other emoluments – executive directors:		
Salaries and allowances	10,200	9,000
Bonuses paid and payable	6,500	6,000
Retirement benefits scheme contributions	-	-
	<u>16,700</u>	<u>15,000</u>

The number of directors whose remuneration for the year fell within the designated bands is set out below.

	Number of directors	
	2000	1999
HK\$Nil – HK\$1,000,000	4	4
HK\$1,000,000 – HK\$1,500,000	-	1
HK\$1,500,001 – HK\$2,000,000	3	2
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$7,000,001 – HK\$7,500,000	-	1
HK\$8,000,001 – HK\$8,500,000	1	-
	<u>1</u>	<u>-</u>

In relation to the services rendered during the year, on 10 April 2000, the Company granted a total of 19,050,000 options to the executive directors of the Company to subscribe for a total of 19,050,000 ordinary shares of the Company at an exercise price of HK\$0.70 per share on or before 9 April 2010. In the absence of a readily available market value of the share options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the share options granted, and accordingly no value has been included in the remuneration above in relation thereto.

No remuneration was paid to non-executive directors during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (1999: Nil).

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (1999: five) directors, details of whose remuneration are set out in note 6 above.

8. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on:		
Bank loans and facilities wholly repayable within five years	13,690	14,813
Obligations under hire purchase contracts	453	707
	14,143	15,520

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in the PRC have been provided at the rates of tax prevailing in the PRC based on existing legislations, interpretations and practices in respect thereof.

Deferred tax has been provided under the liability method at the rate of 16% (1999: 16%) on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future.

Tax charged to the Group's profit and loss account comprises:

	2000 HK\$'000	1999 HK\$'000
Hong Kong:		
Provision for the year	5,410	3,949
Under/(over) provision in prior years	(2,598)	82
Deferred	2,933	2,806
	5,745	6,837
The PRC:		
Provision for the year	918	190
Tax charge for the year	6,663	7,027

9. TAX (Continued)

The movement in the Group's deferred tax provision is as follows:

	2000 HK\$'000	1999 HK\$'000
At beginning of year	6,336	3,530
Charge for the year	2,933	2,806
At balance sheet date	<u>9,269</u>	<u>6,336</u>

The principal components of the Group's deferred tax provision are as follows:

	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	9,204	6,316
Others	65	20
	<u>9,269</u>	<u>6,336</u>

The revaluation of the Group's leasehold land and buildings in the prior year did not constitute a timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

10. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2000 is HK\$60,961,000 (1999: HK\$22,842,000).

11. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Interim – HK1.5 cents per ordinary share (1999: HK1.5 cents)	8,592	6,048
Proposed final – HK3.8 cents per ordinary share (1999: HK5 cents)	22,390	20,192
	<u>30,982</u>	<u>26,240</u>

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to shareholders of HK\$71,300,000 (1999: HK\$68,945,000) and the weighted average of 567,266,794 shares (1999: 564,558,732 shares) in issue during the year.

The comparative weighted average number of shares in issue and earnings per share have been adjusted to reflect the bonus issue of shares on the basis of two bonus shares for every five ordinary shares then held by shareholders (note 19(a)).

The calculation of diluted earnings per share is based on the net profit attributable to shareholders of HK\$71,300,000 (1999: HK\$68,945,000) and the weighted average of 597,391,291 (1999: 576,926,135) shares in issue, adjusted to reflect the effects of all dilutive potential ordinary shares during the year.

A reconciliation of the weighted average number of shares used in the basic earnings per share calculation for the year ended 31 March 2000 to that used in the diluted earnings per share calculation is as follows:

	2000	1999
Weighted average number of shares used in the basic earnings per share calculation	567,266,794	564,558,732
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the year	<u>30,124,497</u>	<u>12,367,403</u>
Weighted average number of shares used in the diluted earnings per share calculation	<u>597,391,291</u>	<u>576,926,135</u>

13. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Equipment and tools HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Total HK\$'000
Cost or valuation:								
At beginning of year	191,200	531	15,591	18,537	119,646	8,197	45,953	399,655
Additions	4,902	9,798	4,654	2,597	27,601	926	12,209	62,687
Transfers	-	(531)	531	-	-	-	-	-
Disposals	-	-	-	(36)	(48)	(111)	-	(195)
At 31 March 2000	<u>196,102</u>	<u>9,798</u>	<u>20,776</u>	<u>21,098</u>	<u>147,199</u>	<u>9,012</u>	<u>58,162</u>	<u>462,147</u>
Analysis of cost or valuation:								
At cost	4,902	9,798	20,776	21,098	147,199	9,012	58,162	270,947
At valuation	191,200	-	-	-	-	-	-	191,200
	<u>196,102</u>	<u>9,798</u>	<u>20,776</u>	<u>21,098</u>	<u>147,199</u>	<u>9,012</u>	<u>58,162</u>	<u>462,147</u>
Accumulated depreciation:								
At beginning of year	-	-	4,959	11,655	40,525	5,549	31,644	94,332
Provided during the year	6,255	-	3,289	2,039	24,721	824	8,143	45,271
Disposals	-	-	-	(6)	(27)	(109)	-	(142)
At 31 March 2000	<u>6,255</u>	<u>-</u>	<u>8,248</u>	<u>13,688</u>	<u>65,219</u>	<u>6,264</u>	<u>39,787</u>	<u>139,461</u>
Net book value:								
At 31 March 2000	<u>189,847</u>	<u>9,798</u>	<u>12,528</u>	<u>7,410</u>	<u>81,980</u>	<u>2,748</u>	<u>18,375</u>	<u>322,686</u>
At 31 March 1999	<u>191,200</u>	<u>531</u>	<u>10,632</u>	<u>6,882</u>	<u>79,121</u>	<u>2,648</u>	<u>14,309</u>	<u>305,323</u>

An analysis of the Group's leasehold land and buildings is as follows:

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
At cost:			
Held under medium term leases	-	4,902	4,902
At valuation:			
Held under long term leases	4,600	-	4,600
Held under medium term leases	50,900	135,700	186,600
	<u>55,500</u>	<u>135,700</u>	<u>191,200</u>

13. FIXED ASSETS (Continued)

The Group's leasehold land and buildings were revalued at 31 March 1999 by Sallmanns (Far East) Limited, an independent firm of professional valuers, on an open market, existing use basis at HK\$191,200,000. No professional valuation of such land and buildings was made as at 31 March, 2000 because the directors are of the opinion that the value of such land and buildings at 31 March, 2000 is not significantly different from the carrying amount at 31 March, 1999 and that a further professional valuation would involve expense out of proportion to the value to the shareholders of the Company.

The Group is applying for land use right certificates in respect of certain of the Group's leasehold land in the PRC. This piece of land had an aggregate net book value of approximately HK\$2,395,000 at 31 March 2000.

Had the Group's leasehold land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$104,277,181 (1999: HK\$102,414,000).

Included in the total amount of fixed assets at 31 March 2000 are assets held under hire purchase contracts with a net book value of HK\$9,834,000 (1999: HK\$6,394,000) and the depreciation charge for the year in respect of all such assets held under hire purchase contracts amounted to HK\$2,721,000 (1999: HK\$3,745,000).

14. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	58,810	58,802
Due from subsidiaries	67,437	62,165
	126,247	120,967

The balances due from subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.

14. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid-up capital	Percentage of equity attributable to the Company		Nature of business
			Direct	Indirect	
Agility Investments Limited	The British Virgin Islands	US\$1	100%	–	Investment holding
Dongguan Gold Beam Electronics Co., Ltd	The PRC	*HK\$22,220,000	–	100%	Manufacture of audio components
Dongguan Tonic Electronic Co., Ltd.	The PRC	HK\$22,200,000	–	100%	Manufacture of audio products
Gold Beam Developments Limited	Hong Kong	HK\$2	100%	–	Trading of audio components
Tonic Appliances Limited	Hong Kong	HK\$2	100%	–	Trading of home appliances products
Tonic Electronics (B.V.I.) Limited	The British Virgin Islands	HK\$1	100%	–	Intermediate holding company
Tonic Electronics Limited	Hong Kong	Ordinary HK\$200 #Non-voting deferred HK\$300,000	–	100%	Trading of audio products

14. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid-up capital	Percentage of equity attributable to the Company		Nature of business
			Direct	Indirect	
Tonic Enterprises Limited	The British Virgin Islands	US\$1	–	100%	Provision of quality control services
Tonic International Limited	The British Virgin Islands	HK\$0.01	–	100%	Provision of quality control services
Tonic Investment (B.V.I.) Limited	The British Virgin Islands	HK\$0.01	–	100%	Investment holding
Tonic Marketing Limited	The British Virgin Islands	US\$0.01	–	100%	Provision of direct marketing services
Tonic Plastic Limited	The British Virgin Islands	US\$0.01	–	100%	Provision of quality control services
Tonic Technology Limited	Hong Kong	HK\$10,000	80%	–	Trading of high-technology products
Panatone Licensing Limited	The British Virgin Islands	US\$1	–	100%	Holding of patents

* The registered capital of Dongguan Gold Beam Electronics Co., Ltd. ("DGB") is HK\$22,220,000. At 31 March 2000, the Group has paid up HK\$18,044,540 of the capital.

The non-voting deferred shares carry the right to one half of the profits after the holders of the ordinary shares have received a dividend of HK\$1,000,000,000,000, have no right to vote at general meetings and carry the right to receive one half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of the HK\$500,000,000,000,000. None of the non-voting deferred shares was held by members of the Group at the balance sheet date.

15. LONG TERM INVESTMENTS

	2000 HK\$'000	1999 HK\$'000
Hong Kong listed equity investments, at cost	<u>16,024</u>	<u>16,024</u>
Market value of listed shares at balance sheet date	<u>18,684</u>	<u>16,409</u>

16. INVENTORIES

	2000 HK\$'000	Group 1999 HK\$'000
Raw materials	83,924	51,303
Work in progress	93,901	65,310
Finished goods	<u>37,015</u>	<u>23,599</u>
	<u>214,840</u>	<u>140,212</u>

17. BANK BORROWINGS

The Group's trust receipt loans are unsecured and repayable on demand or within one year.

18. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

There were commitments under hire purchase contracts at the balance sheet date as follows:

	2000 HK\$'000	Group 1999 HK\$'000
Amounts payable:		
Within one year	4,262	3,154
In the second year	3,449	389
In the third to fifth years, inclusive	<u>552</u>	<u>108</u>
Total minimum contract payments	8,263	3,651
Future finance charges	<u>(646)</u>	<u>(366)</u>
Total net obligations under hire purchase contracts	7,617	3,285
Portion classified as current liabilities	<u>(3,752)</u>	<u>(2,888)</u>
Long term portion	<u>3,865</u>	<u>397</u>

19. SHARE CAPITAL

	Company	
	2000 HK\$'000	1999 HK\$'000
Authorised:		
1,200,000,000 ordinary shares of HK\$0.10 each	<u>120,000</u>	<u>120,000</u>
Issued and fully paid:		
588,891,296 (1999: 403,830,800) ordinary shares of HK\$0.10 each	<u>58,889</u>	<u>40,383</u>

Details of the movements in the issued share capital of the Company during the year are as follows:

- (a) Pursuant to a shareholders' resolution passed on 28 September 1999, 161,884,960 new ordinary shares of HK\$0.10 each ranking pari passu with the then existing ordinary shares were issued as bonus shares on the basis of two bonus shares for every five ordinary shares then held by shareholders whose names appeared on the register of members of the Company as at 28 September 1999. The par value of these bonus shares was debited to the share premium account.
- (b) During the year, 881,600 and 22,293,936 warrants were exercised by warrant holders at the subscription price of HK\$0.65 and HK\$0.46 per share, respectively, for approximately HK\$10,828,000 in cash. The excess of the proceeds over the par value of the ordinary shares issued of approximately HK\$8,511,000 was credited to the share premium account. Details of the warrants are set out below.

Warrants

Pursuant to a shareholders' resolution passed on 16 September 1998, a bonus issue of warrants was made in the proportion of one warrant for every five ordinary shares then held by shareholders whose names appeared on the register of members of the Company as at 16 September 1998. As a result, 57,600,000 warrants were issued. Each bonus warrant entitles the registered holder to subscribe for a new ordinary share of the Company at an initial subscription price of HK\$0.65, subject to adjustments, at any time from the date of issue to 30 September 2000.

19. SHARE CAPITAL (Continued)

At the balance sheet date, the Company had outstanding warrants with an aggregate subscription value of HK\$26,201,708 entitling the registered holders to subscribe in cash at any time on or before 30 September 2000 for fully paid ordinary shares of HK\$0.10 each in the Company at the current subscription price of HK\$0.46 per share (subject to adjustments). The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 56,960,237 additional ordinary shares.

Share options

On 18 September 1997, the Company approved a share option scheme (the "Scheme") under which the board of directors of the Company may, at their discretion, invite any executive director or employee of the Group to take up options to subscribe for shares of the Company at any time during the ten years from the date of approval. The subscription price will be a price determined by the directors and will be the higher of a price being not less than 85% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant or the nominal value of the shares, whichever is greater. The maximum number of shares on which options may be granted may not exceed 10% of the ordinary share capital in issue from time to time. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 16 October 1997.

No option was granted under the scheme during the year. Subsequent to the balance sheet date, on 10 April 2000, 50,000,000 share options were granted to the executive directors and certain employees of the Company to subscribe for a total of 50,000,000 ordinary shares of the Company at an exercise price of HK\$0.70 per share on or before 9 April 2010.

20. RESERVES

Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at						
1 April 1998	30,868	280	(8,045)	50,874	97,204	171,181
Exercise of warrants	347	-	-	-	-	347
Bonus issue of shares	(11,520)	-	-	-	-	(11,520)
Exchange difference on translation of overseas subsidiaries' financial statements	-	-	3,525	-	-	3,525
Revaluation surplus on fixed assets	-	-	-	40,539	-	40,539
Net profit for the year	-	-	-	-	68,945	68,945
Dividends	-	-	-	-	(26,240)	(26,240)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
31 March 1999 and beginning of year	19,695	280	(4,520)	91,413	139,909	246,777
Exercise of warrants	8,511	-	-	-	-	8,511
Bonus issue of shares	(16,188)	-	-	-	-	(16,188)
Exchange difference on translation of overseas subsidiaries' financial statements	-	-	(785)	-	-	(785)
Net profit for the year	-	-	-	-	71,300	71,300
Dividends	-	-	-	-	(30,982)	(30,982)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
31 March 2000	<u>12,018</u>	<u>280</u>	<u>(5,305)</u>	<u>91,413</u>	<u>180,227</u>	<u>278,633</u>

20. RESERVES (Continued)

Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 1999	30,868	58,794	9,709	99,371
Exercise of warrants	347	-	-	347
Bonus issue of shares	(11,520)	-	-	(11,520)
Net profit for the year	-	-	22,842	22,842
Dividends	-	-	(26,240)	(26,240)
Balance at 31 March 1999 and beginning of year	19,695	58,794	6,311	84,800
Exercise of warrants	8,511	-	-	8,511
Bonus issue of share	(16,188)	-	-	(16,188)
Net profit for the year	-	-	60,961	60,961
Dividends	-	-	(30,982)	(30,982)
Balance at 31 March 2000	12,018	58,794	36,290	107,102

The contributed surplus of the Group arose as a result of the Group reorganisation as set out in note 1, and represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation and the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company arose as a result of the same Group reorganisation, and represents the excess of the then combined net asset value of the subsidiaries acquired over the nominal value of the Company's share capital issued in exchange thereof.

Under the Companies Law (1998 Revision) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of associations and, provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors, the Company's reserves available for distribution represent the share premium, contributed surplus and retained profits.

21. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit from operating activities	92,104	91,492
Interest income	(14,239)	(19,961)
Dividend income	(134)	-
Depreciation	45,271	42,111
Loss on disposal of fixed assets	13	108
Provision for long term loan receivable	-	1,152
Decrease/(increase) in accounts receivable	(49,638)	35,271
Decrease/(increase) in inventories	(74,628)	87,887
Decrease/(increase) in prepayments, deposits and other receivables	(11,261)	73
Increase/(decrease) in accounts payable	105,652	(147,962)
Increase/(decrease) in accrued liabilities and other payables	(3,582)	19,519
Net cash inflow from operating activities	89,558	109,690

21. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including premium) HK\$'000	Trust receipt loans with maturity over three months HK\$'000	Bank loans HK\$'000	Obligations under hire purchase contracts HK\$'000	Minority interests HK\$'000
Balance at 1 April 1998	59,668	9,649	481	8,645	-
Net cash inflow/(outflow) from financing	410	(9,649)	(481)	(6,309)	-
Inception of hire purchase contracts	-	-	-	949	-
Balance at 31 March 1999 and 1 April 1999	60,078	-	-	3,285	-
Net cash inflow/(outflow) from financing	10,829	-	-	(4,804)	2
Inception of hire purchase contracts	-	-	-	9,136	-
Share of loss for the year	-	-	-	-	(2)
Balance at 31 March 2000	<u>70,907</u>	<u>-</u>	<u>-</u>	<u>7,617</u>	<u>-</u>

(c) Major non-cash transactions

During the year, the Group entered into hire purchase contracts in respect of fixed assets with a total capital value at the inception of the contracts of HK\$9,136,000 (1999: HK\$949,000).

22. CONTINGENT LIABILITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bills discounted with recourse	2,421	27,668	-	-
Guarantees for general banking facilities of subsidiaries*	-	-	501,072	433,000
Guarantee for a liability under a hire purchase contract of a subcontractor	-	703	-	703
	<u>2,421</u>	<u>28,371</u>	<u>501,072</u>	<u>433,703</u>

* At 31 March 2000, HK\$101,027,000 (1999: HK\$144,000,000) of the general banking facilities were utilised by the subsidiaries.

In addition, the Company has granted a guarantee in favour of a supplier of a subsidiary for the subsidiary's trade debts due to such supplier. At 31 March 2000, the subsidiary had trade debts in aggregate of HK\$1,495,000 (1999: HK\$42,000) due to the supplier.

23. COMMITMENTS

	2000 HK\$'000	Group 1999 HK\$'000
Capital commitments in respect of fixed assets		
(a) Contracted for, but not provided in the financial statements in respect of:		
Construction in progress in the PRC	6,980	273
Equipment and tools	928	3,636
Moulds	4,999	389
Motor vehicles	3,239	-
Leasehold improvements	717	-
Furniture and fixtures	92	-
	<u>16,955</u>	<u>4,298</u>
(b) Authorised, but not contracted for in respect of:		
Moulds	447	-
Leasehold improvements	290	-
	<u>737</u>	<u>-</u>
	<u>17,692</u>	<u>4,298</u>
Capital commitment in respect of capital contribution to a subsidiary established in the PRC	<u>4,175</u>	<u>22,220</u>
Operating lease commitments		
Commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	180	517
In the second to fifth years, inclusive	1,219	102
	<u>1,399</u>	<u>619</u>
Other commitments		
Commitments to purchase foreign currencies	16,492	-
Commitments to sell foreign currencies	<u>186,903</u>	<u>120,966</u>

At the balance sheet date, the Company had no capital or operating lease commitments (1999: Nil).

24. RELATED PARTY TRANSACTIONS AND A CONNECTED TRANSACTION

During the year, the Group had the following related party transactions:

- (a) The Group sold audio products and related components amounting to HK\$408,000 (1999: HK\$665,000) to Pioneer Ventures Limited ("PVL"), a wholly-owned subsidiary of EganaGoldpfeil (Holdings) Limited, which is a substantial shareholder of the Company.

The sales to PVL were made according to the published prices and conditions offered to the major customers of the Group.

- (b) The Group paid HK\$318,900 (1999: HK\$374,000) to International Taxation Advisory Services Limited, of which Wong Wai Kwong, David, a non-executive director of the Company, is a director, for corporate advisory services rendered. In the prior year, the Group also paid HK\$120,000 to Corporate Advisory Services Limited, of which Wong Wai Kwong, David is also a director.

The directors consider that the above corporate advisory services charges were paid according to the published prices and conditions similar to those offered by other external consultants of the Group.

- (c) In the prior year, on 8 May 1998, the Group acquired an industrial unit for a consideration of approximately HK\$1,900,000 from Tam Lai Ha, wife of Ling Siu Man, Simon, the Chairman of the Company.

The consideration was determined based on an independent valuation prepared by C.Y. Leung & Co., Ltd., an independent firm of professional valuers, as at 30 April 1998.

The above transactions are related party transactions, of which item (c) also constitutes a connected transaction disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

25. COMPARATIVE AMOUNTS

As explained in note 2 to the financial statements, due to the adoption of revised SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 8 August 2000.

A summary of the combined/consolidated results and of the assets and liabilities of the Group prepared on the basis set out in notes below is set out as follows:

RESULTS

	Year ended 31 March				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000 (Note 1)	1997 HK\$'000 (Note 2)	1996 HK\$'000 (Note 2)
TURNOVER	<u>2,038,700</u>	<u>1,840,799</u>	<u>1,524,396</u>	<u>863,800</u>	<u>764,112</u>
PROFIT BEFORE TAX	<u>77,961</u>	75,972	44,604	27,384	15,098
Tax	<u>(6,663)</u>	<u>(7,027)</u>	<u>(3,121)</u>	<u>(3,785)</u>	<u>(1,235)</u>
PROFIT BEFORE MINORITY INTERESTS	<u>71,298</u>	68,945	41,483	23,599	13,863
Minority Interests	<u>2</u>	–	–	–	–
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u>71,300</u>	<u>68,945</u>	<u>41,483</u>	<u>23,599</u>	<u>13,863</u>

ASSETS AND LIABILITIES

	At 31 March				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000 (Note 3)	1996 HK\$'000 (Note 3)
TOTAL ASSETS	<u>801,271</u>	682,804	681,226	381,627	274,819
TOTAL LIABILITIES	<u>(463,749)</u>	<u>(395,644)</u>	<u>(481,245)</u>	<u>(322,825)</u>	<u>(229,617)</u>
NET ASSETS	<u>337,522</u>	<u>287,160</u>	<u>199,981</u>	<u>58,802</u>	<u>45,202</u>

Notes:

1. The results of the Group for the year ended 31 March 1998 have been prepared on a pro forma consolidated basis using the merger basis of accounting as if the current group structure had been in existence throughout the year.
2. The results of the Group for each of the two years ended 31 March 1997 have been prepared on a pro forma combined basis as if the current group structure had been in existence throughout those years and are extracted from the Company's prospectus dated 30 September 1997.
3. The pro forma combined balance sheets as at 31 March 1996 and 31 March 1997 have been prepared on the basis that the current group structure was in place at those dates.

Particulars of major properties held by the Group as at 31 March 2000 are as follows:

PROPERTY INTERESTS HELD BY THE GROUP IN HONG KONG

	Type	Lease term
1. Units D, G and H on 4th Floor, Summit Building, 30 Man Yue Street and 21-23 Tai Wan Road, Hung Hom, Kowloon	Industrial	Medium
2. Unit B on 10th Floor, Summit Building, 30 Man Yue Street and 21-23 Tai Wan Road, Hung Hom, Kowloon	Industrial	Medium
3. Units A, B, L and O on 11th Floor, Summit Building, 30 Man Yue Street and 21-23 Tai Wan Road, Hung Hom, Kowloon	Industrial	Medium
4. Town House No.113, Sunderland Estate, 1 Hereford Road, Kowloon Tong, Kowloon	Residential	Medium
5. Flat G on 11th Floor, Block 9, 9 Shung King Street, Whampoa Garden – Site 2, Hung Hom, Kowloon	Residential	Long

PROPERTY INTERESTS HELD BY THE GROUP IN HONG KONG (Continued)

	Type	Lease term
6. Flat D on 14th Floor, Block 8, 6 Tak Hong Street, Whampoa Garden – Site 11, Hung Hom, Kowloon	Residential	Long
7. Lorry Car Parking Spaces Nos. 7, 8, 9 and 10 on 1st Floor Summit Building, 30 Man Yue Street and 21-23 Tai Wan Road, Hung Hom, Kowloon	Car park	Medium
8. Private Car Parking Spaces Nos. 10, 14, 21 and 22 on Basement Summit Building, 30 Man Yue Street and 21-23 Tai Wan Road, Hung Hom, Kowloon	Car park	Medium

PROPERTY INTERESTS HELD BY THE GROUP IN THE PRC

9. A factory complex in Shitanbu Administrative Zone Tangxia Town, Dongguan, Guangdong Province	Industrial	Medium
10. A factory complex in Zhenhua Industrial District Qishi Town, Dongguan, Guangdong Province	Industrial	Medium

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting of the Members of Tonic Industries Holdings Limited (the "Company") will be held at Coral Room-2, 3rd Floor, Furama Hotel Hong Kong, One Connaught Road Central, Hong Kong on Tuesday, 26 September 2000 at 10:30 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 March 2000.
2. To declare a final dividend.
3. To re-elect Directors and to authorise the Board of Directors to fix the Directors' remuneration.
4. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

"(A) **THAT:**

- (a) Subject to paragraphs (b) and (c) of this resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined below) of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the Stock Exchange or any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall, in addition to any other authorisation given to the Directors, authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its own shares at a price to be determined by the Directors;

(c) the aggregate nominal amount of the issued shares of the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or its articles of association to be held; or
- (iii) the revocation or variation of the authority granted under this resolution by an ordinary resolution of the shareholders of the Company in general meetings.”

“(B) **THAT:**

- (a) subject to paragraphs (b) and (c) below and without prejudice to the resolution numbered 5(C) set out in the notice of this Meeting, the exercise by the Directors during the Relevant Period (as defined in resolution numbered 5(A)(d) set out in the notice of this Meeting) of all the powers of the Company to allot, issue and deal in shares in the capital of the Company or securities convertible into shares or options, warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall, in addition to any other authorisation given to the Directors, authorise the Directors during the Relevant Period to make or grant offers, agreements or options (including warrants or similar rights to subscribe for any shares in the Company) which might require the exercise of such power after the end of the Relevant Period;

- (c) the aggregate nominal amount of securities allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to the approval given in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) the exercise of the rights of subscription or conversion under the terms of any securities or bonds which are convertible into any shares in the capital of the Company; (iii) any options granted or issue of shares under any share option scheme or similar arrangement for the time being adopted by the Company, or (iv) any scrip dividend schemes or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly;
- (d) for the purposes of this resolution:

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the Register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

- “(C) **THAT** conditional upon the passing of the resolutions numbered 5(A) and 5(B) set out in the notice of this Meeting, the aggregate nominal amount of the shares in the Company which are repurchased by the Company pursuant to and in accordance with the said resolution numbered 5(A) shall be added to the aggregate nominal amount of the shares in the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally by the Directors pursuant to and in accordance with the said resolution numbered 5(B).”

By Order of the Board
LIU Hoi Keung, Gary
Secretary & Director

Hong Kong, 8 August 2000

NOTICE OF ANNUAL GENERAL MEETING

Annual
Report
2000

Notes:

- (a) The Register of Members of the Company will be closed from Friday, 22 September 2000 to Tuesday, 26 September 2000 (both days inclusive), during which period no transfer of shares can be registered and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding warrants and share options issued/granted by the Company. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates and transfer forms and, in the case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Thursday, 21 September 2000.
- (b) A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him on his behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (c) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.
- (d) The Annual Report of the Company for the year ended 31 March 2000 also containing this notice together with a circular setting out further information regarding resolution numbered 5 above will be dispatched to shareholders and for information only, warrant holders as soon as practicable.