

**TONIC INDUSTRIES HOLDINGS LTD:
WHAT IS THE 'TONIC' FOR THIS PROBLEM ?**

On the face of it, it appears evident that Tonic Industries Holdings Ltd () (Code: 978, Main Board, The Stock Exchange of Hongkong Ltd) is in serious financial trouble.

Tonic Industries has just been sued by what must have been one of the company's former, biggest corporate customers, which is claiming about \$HK33.46 million from this manufacturer of consumer electronics.

That amount of money is nearly 6 times the Net Profit Attributable to Shareholders in respect of the Financial Year, ended March 31, 2008.

The 2008 Net Profit Attributable to Shareholders, by the way, is the lowest level of profit of this company for at least the past 5 Financial Years.

But aside from the fall-off in the Bottom Line, there are other indications that Tonic Industries is having its fair share of problems.

First, The Claims

Thomson Hongkong Holdings Ltd has sued Tonic Industries, along with 2 of its wholly owned subsidiaries – Tonic Digital Products Ltd () and Tonic Electronics Ltd () – in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) with regard to a major trade dispute.

Thomson Hongkong is claiming, in total, Damages in the sum of \$US4,289,664.15 million (about \$HK33.46 million).

The Statement of Claim, attached to Writ of Summons, Number 2277, alleges, inter alia, that the Plaintiff (Thomson Hongkong) had been a customer of Tonic Industries since 2004.

The Plaintiff alleges that it purchased digital and multimedia products from Tonic Industries, sometimes on an **OEM** basis – **O**riginal **E**quipment **M**anufacturer – for sales in the US.

The Statement of Claim, then, goes into some detail in respect of a purported **M**emorandum of Understanding (**MOU**), engrossed in or around December 29, 2004.

At Paragraph 7 of the Statement of Claim, it is alleged that the Plaintiff, on August 7, 2008, '*issued a formal demand letter ... to demand for settlement of the then outstanding sums, no objection was made by the Tonic Companies (meaning the 3 Defendants) in their subsequent replies to the Plaintiff.*'

The Statement of Claim, then, explains what is termed '*a common practice*' in the retail industry '*that the retailers maintain a liberal return policy for goods sold under which the customers are entitled to return goods to the retailer within a certain period of time for full repayment, whether the goods are defective or not.*'

This practice results in goods, returned to the retailer, sent up the supply chain to the ultimate manufacturer.

This **Return To Vendor (RTV)** provision was contained in the MOU of December 29, 2004, it is alleged.

The formal ... [CLICK TO ORDER FULL ARTICLE](#)

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