TONIC INDUSTRIES HOLDINGS LIMITED
東力實業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Website: http://www.tonic.com.hk
(Stock Code: 978)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the "Board") (the "Directors") of Tonic Industries Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2012, together with the comparative figures for the year ended 31 March 2011, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	5	**178,214**	77,394
Cost of sales		**(181,272)**	(75,007)
Gross (loss)/profit		**(3,058)**	2,387
Other income	6	**3,502**	4,590
Selling expenses and distribution costs		**(766)**	(897)
Administrative expenses		**(31,031)**	(40,315)
Provision for impairment of assets		**(26,870)**	(2,281)
Provision against inventories		**–**	(2,516)
Gain on deconsolidation of a liquidating subsidiary	7	**8,911**	243,503
Gain on debt restructuring	8	**–**	217,108
(Loss)/profit from operations		**(49,312)**	421,579
Finance costs	9	**(13,308)**	(33,135)
(Loss)/profit before tax		**(62,620)**	388,444
Income tax	10	**–**	–
(Loss)/profit for the year attributable to equity holders of the Company	11	**(62,620)**	388,444
(Loss)/earnings per share			
Basic (HK cents per share)	13	**(6)**	93

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
(Loss)/profit for the year attributable to equity holders of the Company	*11*	**(62,620)**	388,444
Translation differences of foreign operations		**2,821**	992
Translation differences reclassified to profit or loss upon deconsolidation of scheme subsidiaries		**–**	(18,931)
Surplus on property revaluation		**7,514**	35,561
Deferred tax on property revaluation reserve:			
– Surplus on revaluation		**(1,879)**	(8,890)
Other comprehensive income for the year, net of tax		**8,456**	8,732
Total comprehensive (loss)/income for the year attributable to equity holders of the Company		**(54,164)**	397,176

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**203,930**	227,411
Current assets			
Inventories		**5,499**	7,172
Accounts receivables	*14*	**9,215**	9,801
Prepayments, deposits and other receivables		**2,313**	2,054
Due from a scheme subsidiary	*15*	**–**	122,055
Cash and bank balances		**33,683**	8,927
		50,710	150,009
Current liabilities			
Accounts payables	*16*	**570**	2,245
Accruals and other payables		**25,825**	31,038
Borrowings		**185,570**	186,755
Due to a director		**2,000**	1,000
Current tax liabilities		**–**	258
		213,965	221,296
Net current liabilities		**(163,255)**	(71,287)
Total assets less current liabilities		**40,675**	156,124
Non-current liabilities			
Borrowings		**18,000**	81,765
Deferred tax liabilities		**18,324**	15,844
		36,324	97,609
NET ASSETS		**4,351**	58,515
Capital and reserves			
Share capital		**10,685**	10,685
Reserves		**(6,334)**	47,830
TOTAL EQUITY		**4,351**	58,515

NOTES:

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as a limited liability company and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors of the Company, the Company's holding company and ultimate holding company at the end of the reporting period is Skill China Limited ("Skill China"), a limited liability company incorporated in the British Virgin Islands (the "BVI").

Subsequent to the end of the reporting period, on 24 April 2012, a sale and purchase agreement in respect of the sale of the Company's shares was entered into by Success Well Investments Limited ("Success Well") and Skill China (the "Transaction"). After the Transaction that took place on 7 May 2012, the holding company of the Company has been changed from Skill China to Success Well. Success Well is a limited liability company incorporated in the BVI and is indirectly wholly-owned by Eureka Investment Company Limited ("Eureka" or "the intermediate holding company"). Eureka is a company incorporated in Hong Kong with limited liability and is wholly-owned by China Merchants Property Development Co., Ltd. ("CMPD"). CMPD is a limited liability company incorporated in the People's Republic of China (the "PRC"), with its shares listed on the Shenzhen Stock Exchange. Further details of the Transaction were disclosed in the joint public announcement (the "Joint Announcement") of the Company and the board of directors of Success Well on 27 April 2012.

The Company is an investment holding company and the principal activities of its major subsidiaries are manufacture, processing and sale of electronic consumer products and related components.

2. BASIS OF PREPARATION

The Group incurred a loss attributable to equity holders of the Company of approximately HK$62,620,000 for the year ended 31 March 2012 and as at 31 March 2012, the Group had net current liabilities of approximately HK$163,255,000. These conditions therefore indicate the existence of the uncertainty in relation to the Group's ability to continue as a going concern. In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis. In the opinion of the Directors, the Group should be able to continue as a going concern in the coming years taking into consideration various measures to improve its financial performance and position which include, but not limited to, the following:

(a) On the successful implementation of the restructured business model of the Group's set-up box operation, this provides an opportunity for the Group to have a more cost effective and commercially feasible structure to improve financial performance of the Group;

(b) The intermediate holding company of the Company has agreed to provide adequate funds for the Group to meet its liabilities as they fall due; and

(c) The Directors are looking for various business alternatives to broaden its business scope and sources of income by taking business opportunities to diversify into other business through investment or business ventures to improve the profitability of the Group.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, the validity of which depends upon the measures mentioned above, at a level sufficient to finance the working capital requirements of the Group. Accordingly, the Directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to these financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

The Group's revenue and result for the year ended 31 March 2012 and 2011 were mainly derived from its operating segment of manufacture, processing and sale of electronic consumer products and related components. The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include, interest income, gain on deconsolidation of a liquidating subsidiary, gain on debt restructuring, finance costs, income tax and unallocated corporate income and expenses. Segment assets do not include due from a scheme subsidiary, cash and bank balances and other unallocated corporate assets. Segment liabilities do not include borrowings, amount due to a director, tax liabilities and unallocated corporate liabilities. Segment non-current assets do not include any financial instruments and deferred tax assets.

Information about the manufacture, processing and sale of electronic consumer products and related components segment profit or loss, assets and liabilities:

	2012	2011
	HK$'000	*HK$'000*
Year ended 31 March:		
Revenue from external customers	**178,214**	77,394
Segment losses	**42,795**	39,037
Interest revenue	**21**	5
Interest expense	**13,308**	33,135
Depreciation	**12,047**	17,886
Other material non-cash item:		
Provision for impairment of assets	**26,870**	2,281
Provision against inventories	**–**	2,516
Additions to segment non-current assets	**285**	2,081
At 31 March:		
Segment assets	**220,554**	246,338
Segment liabilities	**21,713**	31,767

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2012	2011
	HK$'000	*HK$'000*
Revenue:		
Total turnover of the reportable segment disclosed as consolidated turnover	**178,214**	77,394
Profit or loss:		
Total loss of reportable segments	**(42,795)**	(39,037)
Interest income	**21**	5
Gain on deconsolidation of a liquidating subsidiary	**8,911**	243,503
Gain on debt restructuring	**–**	217,108
Corporate and unallocated profit or loss	**(28,757)**	(33,135)
Consolidated (loss)/profit	**(62,620)**	388,444
Assets:		
Total assets of reportable segments	**220,554**	246,338
Due from a scheme subsidiary	**–**	122,055
Cash and bank balances	**33,683**	8,927
Corporate and unallocated assets	**403**	100
Consolidated total assets	**254,640**	377,420
Liabilities:		
Total liabilities of reportable segments	**21,713**	31,767
Borrowings	**203,570**	268,520
Current tax liabilities	**–**	258
Deferred tax liabilities	**18,324**	15,844
Due to a director	**2,000**	1,000
Corporate and unallocated liabilities	**4,682**	1,516
Consolidated total liabilities	**250,289**	318,905

Geographical information:

	2012	2011
	HK$'000	*HK$'000*
Revenue:		
Greater China	**69,275**	46,299
Dubai	**84,948**	7,839
Philippines	**23,991**	23,256
Consolidated total	**178,214**	77,394

Information about revenue from four (2011: six) customers of the Group contributing over 10% of total revenue of the Group as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**84,948**	7,839
Customer B	**42,535**	20,698
Customer C	**21,397**	15,868
Customer D	**20,741**	10,216
Customer E	**–**	13,039
Customer F	**–**	8,721

In presenting the geographical information, revenue is based on the locations of the customers. At the end of the reporting period, all non-current assets of the Group were located in the Greater China.

5. TURNOVER

The Group's turnover which represents manufacture, sales of goods to customers and revenue from processing service fees are as follows:

	2012	2011
	HK$'000	*HK$'000*
Manufacture and sales of electronic consumer products and related components	**174,294**	76,383
Service fees from processing of electronic consumer products and related components	**3,920**	1,011
	178,214	77,394

6. OTHER INCOME

The Group's other income is analysed as follows:

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**21**	5
Rental income	**2,630**	284
Bad debts recovered	**–**	3,756
Sundry income	**851**	545
	3,502	4,590

7. GAIN ON DECONSOLIDATION OF A LIQUIDATING SUBSIDIARY

On 20 February 2012, the Board resolved to voluntarily wind up an indirect wholly-owned subsidiary of the Company, Tonic DVB Marketing Limited ("TDML"). Mr. Mark Chapman of Deloitte & Touche in the BVI and Mr. Yeung Lui Ming, Edmund and Mr. Darach E. Haughey both of Deloitte Touche Tohmatsu in Hong Kong have been appointed as the liquidator of TDML with the power to act jointly and severally. The Directors considered that the control over this subsidiary has been lost since then. The results, assets and liabilities and cash flows of this subsidiary were deconsolidated from the consolidated financial statements of the Group with effect from that day.

	TDML 20 February 2012	TEL* 30 June 2010
	HK$'000	*HK$'000*
Net liabilities of the subsidiary deconsolidated were as follows:		
Property, plant and equipment	**–**	26,626
Prepayments, deposits and other receivables	**11**	87
Current tax assets	**–**	1,919
Cash and bank balances	**16**	131
Accounts payables	**(170)**	(153,377)
Accruals and other payables	**(8,510)**	(22,578)
Amounts due to the Group	**(24,364)**	(140,184)
Current tax liabilities	**(258)**	–
Borrowings	**–**	(92,197)
Deferred tax liabilities	**–**	(4,114)
Net liabilities of the deconsolidated subsidiary	**(33,275)**	(383,687)
Impairment of amounts due from the deconsolidated subsidiary	**24,364**	140,184
Net gain on deconsolidation of the liquidating subsidiary	**(8,911)**	(243,503)

* *During the prior year, a direct wholly-owned subsidiary of the Company, Tonic Electronics Limited ("TEL") was wound up by the High Court of Hong Kong. Messrs. Huen Ho Yin and Huen Yuen Fun were appointed as the Joint and Several Provisional Liquidators of TEL by the official receiver on 30 June 2010. The Directors considered that the control over this subsidiary had been lost since then. The results, assets and liabilities and cash flows of this subsidiary were deconsolidated from the consolidated financial statements of the Group with effect from 30 June 2010. Further details of which were described in the Company's announcement dated 6 July 2010.*

8. GAIN ON DEBT RESTRUCTURING

During the prior year, the capital and group reorganisation (the "Restructuring") was completed on 3 December 2010 (the "Effective Date"). In order to reorganise the Group and to facilitate the implementation of the creditor scheme of the Restructuring, the scheme subsidiaries under the creditor scheme were transferred to the administrators of the creditor scheme. The Group had ceased to control those scheme subsidiaries after the transfer. On the Effective Date, the results, assets and liabilities, and cash flows of those scheme subsidiaries were derecognised from the Group. Further details of which were described in the Company's annual report for the year ended 31 March 2011.

	Notes	3 December 2010 *HK$'000*
Net liabilities of scheme subsidiaries derecognised on the Effective Date were as follows:		
Property, plant and equipment		180,161
Prepayments, deposits and other receivables		17
Cash and bank balances		724
Accounts payables		(163,971)
Accruals and other payables		(49,111)
Borrowings		(94,428)
Current tax liabilities		(13,452)
Deferred tax liabilities		(20,711)
Net liabilities of scheme subsidiaries derecognised		(160,771)
Less: Release of the related foreign currency translation reserves		(18,931)
Proceeds from the issuance of shares transferred to the administrators	*(a)*	80,000
Debt restructuring costs in form of remuneration shares issued to financial advisors	*(b)*	4,649
Amounts recoverable from a scheme subsidiary	*(c)*	(122,055)
Gain on debt restructuring		(217,108)

(a) On the Effective Date, 909,785,366 subscription shares with a par value of HK$0.01 each at a price of approximately HK$0.0879 per subscription share were issued and allotted to Skill China for the cash consideration of HK$80 million. Based on the creditor scheme, all proceeds from the issuance of the subscription shares was made available to the administrators to settle and discharge the claims under the creditor scheme.

(b) On the Effective Date, 52,894,498 remuneration shares with a par value of HK$0.01 each at a price of approximately HK$0.0879 per remuneration share were issued and allotted to two financial advisors in settlement of professional fees of approximately HK$4,649,000 attributable to the Company in relation to the Restructuring. As the fair value of these professional advisory services in relation to the Restructuring cannot be estimated reliably, such services received by the Group were measured by reference to the fair value of the share issued in settlement of the relevant processional fees, in form of the equity-settled share-based payments, measured at the Effective Date the counterparties render services.

(c) During the prior year, an indirect wholly-owned subsidiary of the Company, Xin Lian Digital Technology Company Limited, borrowed bank and other loans (collectively the "Xin Lian Loans") with the aggregate principal amounts of approximately RMB103,000,000 (equivalent to approximately HK$122,055,000) at the end of the prior reporting period in repayment of the equivalent amounts of bank and other loans of a scheme subsidiary (the "Scheme Subsidiary"), Dongguan Tonic Electronics Limited. The Xin Lian Loans were pledged by the leasehold land and buildings (the "Pledged Properties") held by the Scheme Subsidiary with an estimated market value of approximately RMB145,000,000 (approximately HK$171,825,000) and equipment and tools of an indirect wholly-owned subsidiary of the Company with the aggregate carrying amounts of approximately HK$14,199,000 at the end of the prior reporting period. Under the Xin Lian Loans arrangement, it was expected that the repayment of the Xin Lian Loans will be satisfied by the proceeds from the subsequent disposal of the Pledged Properties to recover the corresponding amounts due from the Scheme Subsidiary.

9. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank and other borrowings	**11,494**	32,224
Loans from the ultimate holding company	**800**	800
Loans from a shareholder of the Company	**1,014**	–
Finance leases	**–**	111
	13,308	33,135

10. INCOME TAX

Neither Hong Kong Profits Tax nor the PRC Enterprise Income Tax has been provided, since the Group has no assessable profit for both years.

The reconciliation between the income tax and the (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit before tax:	**(62,620)**	388,444
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(10,332)**	64,093
Effect of different tax rates of subsidiaries	**(4,590)**	(12,069)
Income not subject to tax	**(5,496)**	(94,124)
Expenses not deductible for tax	**18,631**	37,587
Tax losses utilised from previous periods	**–**	(912)
Tax losses not recognised	**1,787**	5,425
Tax at the Group's effective rate	**–**	–

11. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2012 HK$'000	2011 HK$'000
Cost of inventories sold	**181,272**	75,007
Provision against inventories	**–**	2,516
Depreciation on property, plant and equipment	**12,047**	17,886
Minimum lease payments under operating leases on land and buildings	**1,026**	639
Auditors' remuneration	**552**	713
Employee benefits expense (including directors' remuneration):		
Wages, salaries and allowances	**17,891**	16,550
Pension scheme contributions	**433**	253
	18,324	16,803
Provision for impairment of assets:		
Impairment of items of property, plant and equipment	**26,870**	2,070
Impairment of deposits and other receivables	**–**	211
	26,870	2,281

12. DIVIDEND

No dividend has been proposed or declared by the Company during the two years ended 31 March 2012 and 2011.

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of approximately HK$62,620,000 (2011: a profit of approximately HK$388,444,000) and the weighted average number of 1,068,468,860 (2011: 419,649,007, as adjusted to reflect the share consolidation and issue of new shares in December 2010) ordinary shares in issue during the year.

14. ACCOUNTS RECEIVABLES

	Group 2012 HK$'000	 2011 HK$'000
Accounts receivables	**9,215**	9,801

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days extending up to 90 days for major customers. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentration of credit risk as approximately 85% (2011: 63%) and 100% (2011: 100%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively.

The aging analysis of accounts receivables at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
30 days or less	**5,097**	5,261
31 to 60 days	**487**	4,540
61 to 90 days	**3,631**	–
	9,215	9,801

At the end of the reporting period, the Group's accounts receivables that were neither past due nor impaired which relate to several customers for whom there was no recent history of default.

15. DUE FROM A SCHEME SUBSIDIARY

The amounts due from a scheme subsidiary were unsecured, interest free and had no fixed term of repayment. Further details of the amounts due from the scheme subsidiary were explained in note 8(c).

During the year, the scheme subsidiary has disposed of the Pledged Properties which were secured for the Xin Lian Loans of approximately RMB103,000,000 (equivalent to approximately HK$122,055,000) borrowed by an indirect wholly-owned subsidiary of the Company. The Xin Lian Loans have been fully settled by the proceeds from the disposal of the Pledged Properties. Under the Xin Lian Loans arrangement, the equivalent amounts due from the scheme subsidiary have been simultaneously recovered and released upon the repayment of the Xin Lian Loans through the disposal of the Pledged Properties.

16. ACCOUNTS PAYABLES

The aging analysis of accounts payables at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
30 days or less	**71**	327
31 to 60 days	**–**	1,473
61 to 90 days	**–**	275
Over 90 days	**499**	170
	570	2,245

FINAL DIVIDEND

The Board does not recommend payment of a final dividend in respect of the year ended 31 March 2012 (2011: Nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Voluntary liquidation of a subsidiary – Total Ally Holdings Limited ("Total Ally")

Subsequent to the end of the reporting period, on 19 April 2012, the Board resolved to voluntarily wind up an indirect wholly-owned subsidiary of the Company, Total Ally, and to appoint Mr. Lai Kar Yan, Derek, Mr. Yeung Lui Ming, Edmund, and Mr. Ho Kwok Leung, Glen, as liquidators for the winding-up of Total Ally jointly and severally. With effect from the commencement date of the liquidation, the financial results and operation of Total Ally Group will be deconsolidated from the Group accordingly.

Total Ally Group, through its subsidiary Xin Lian, is principally engaged in the manufacture, processing and sale of electronic consumer products and related components (currently being set-top box). The manufacturing operation of the Group has been carried out mainly through Total Ally Group. The voluntary winding-up of Total Ally Group has resulted in the restructuring of the Group's business model in the set-up box operation. The Board considered that this provides an opportunity for the Group to have a more cost effective and commercially feasible structure to improve financial performance of the Group.

Please refer to the Company's public announcement date 19 April 2012 for further details. Unless otherwise specified, capitalised terms used herein this note shall have the same meanings as in this announcement.

(b) Change of controlling shareholder

As described in the Joint Announcement on 27 April 2012, subsequent to the end of the reporting period, on 24 April 2012, the Board was informed by Vendor 1 that Success Well (the "Purchaser") entered into S&P Agreement 1 with Skill China (the "Vendor 1") and Dr. So Shu Fai (the "Vendor Guarantor") pursuant to which the Purchaser has conditionally agreed to purchase and Vendor 1 has conditionally agreed to sell 707,110,832 Sale Shares at a consideration of HK$0.251 per Sale Share.

On 27 April 2012, the Purchaser also entered into S&P Agreement 2 with Greatest Mark (the "Vendor 2"), pursuant to which the Purchaser has conditionally agreed to purchase and Vendor 2 have conditionally agreed to procure the sale of 42,738,754 Sale Shares at a consideration of HK$0.50 per Sale Share. The consideration payable by the Purchaser for the Acquisition amounted to in aggregate HK$198,854,195.83. The Sale Shares in aggregate represented approximately 70.18% of the entire issued share capital of the Company as at the date of the Joint Announcement.

As at the date of the Joint Announcement, all conditions to the Completion have been satisfied or waived. Upon the Completion and completion of S&P Agreement 2 on 7 May 2012, the Purchaser and parties acting in concert with it owned 749,849,586 Shares, representing approximately 70.18% of the entire issued share capital of the Company as at the date of the Joint Announcement and became the controlling shareholder of the Company accordingly. Unless otherwise specified, capitalised terms used herein this note shall have the same meanings as in the Joint Announcement.

(c) Change of board composition

The change of controlling shareholder to Success Well as detailed in (b) above had triggered Success Well to make a general offer for all the issued shares of the Company (other than those shares already owned or agreed to be acquired by Success Well and parties acting in concert with it) under the Code on Takeovers and Mergers of Hong Kong. The general offer closed on 22 June 2012 as detailed in the announcement of the Company published on the same date.

Upon the completion of the general offer, the board composition changed accordingly. Please refer to the Company's announcement on 22 June 2012 for the changed board composition and the role and functions of the Directors with effect from 23 June 2012 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Group Results

During the year, the Group recorded a turnover of HK$178.2 million (2011: HK$77.4 million) and a loss attributable to equity holders of the Company of HK$62.6 million (2011: profit attributable to equity holders of the Company of HK$388.4 million).

However, the loss was mainly arrived at after debiting non-cash provision of impairment on assets of HK$26.9 million and crediting a gain of HK$8.9 million for the deconsolidation of a liquidating subsidiary. As there was a net credit of HK$460.6 million of non-cash items for the previous year, like for like comparison and before such non-cash debit/credit for the year would be loss of HK$44.6 million for the year ended 31 March 2012 and loss of HK$72.2 million for the year before.

Post-Group Restructuring

Following the successful completion to restructure the Group at the end of December 2010, as detailed in the circular of the Company dated 28 June 2010 to shareholders, the Group was in a much leaner and healthier position free from litigations and under a new management.

Starting from the beginning of the year under review, the policy to shift market emphasis to the Middle East was proved the correct move. Annual turnover increased to HK$178.2 million for the year ended 31 March 2012 (2011: HK$77.4 million). However, the very high fixed production costs resulted in the net loss before non-cash extraordinary items, finance costs and tax to HK$31.3 million (2011: HK$34.3 million).

Business Development

Apart from attempts in marketing and product diversification to increase revenue, the Group also looked into ways to rectify the high costs situation caused by the idle capacity of the production arm of the Group.

Efforts on the latter only materialized on 19 April 2012 when Total Ally, an indirectly wholly-owned subsidiary of the Company, which owned the manufacturing arm of the Group, was put under voluntary liquidation, as detailed in the announcement of the Company dated 19 April 2012. The Group now has the option to choose manufacturing facilities which offer better prices.

Prospects

The directors of the Company consider that the voluntary liquidation of Total Ally would provide an opportunity for the Group to have a more cost effective structure by subcontracting the manufacturing works to subcontractors in order to avoid absorbing any unnecessary idle overhead costs. In addition, it would lay a foundation for the Company to continue its existing trading and manufacturing (by way of subcontracting arrangement) of various types of consumer electronic products businesses in a more commercially feasible manner. Therefore it is the intention of the Group to continue with its existing principal businesses including but not limited to its trading and manufacturing business of consumer electronics products. However, the Group may explore other business opportunities involving but not limited to existing trading and manufacturing business and consider whether to make any acquisition or investment in assets and/or business or cooperate with other business partners of the Group in order to enhance its growth and future development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the net assets value of the Group attributable to equity holders of the Company amounted to approximately HK$4.35 million (2011: approximately HK$58.5 million). The reduction has been the combined results of operation loss and impairment of assets during the year.

As at 31 March 2012, the trade receivable balance was approximately HK$9.2 million (2011: HK$9.8 million). All trade receivables were on 30 to 90 days credit terms with strict control to minimize credit risks.

As at 31 March 2012, the Group's aggregated borrowings were approximately HK$203.6 million (2011: HK$268.5 million).

The Group is not exposed to material currency fluctuation as the Group's RMB receipt from domestic sales could offset RMB expenses in the PRC.

EMPLOYEE REMUNERATION AND RELATIONS

The Group remunerates the employees by reference to their qualification, experience, responsibilities, profitability of the Group and current market conditions.

As at 31 March 2012, the Group had 310 (2011:320) employees in Hong Kong and the PRC.

The Group's total expenses on salaries, wages and allowances for the year ended 31 March 2012 was approximately HK$18.3 million (2011: HK$16.8 million). Apart from basic salaries and wages, fringe benefits such as contributions to the mandatory provident fund, group medical insurance and group personal accident insurance also offered to the employees. The Group also operates a share option scheme to reward and encourage long term contributions from employees. No grant of such share options were made during the year.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2012 (2011: Nil).

PLEDGE OF ASSETS

As at 31 March 2012, the Group's leasehold land and building with a net carrying amount of approximately HK$180 million (2011: HK$173 million) were pledged to secure for certain of the Group's other borrowings (2011: bank and other borrowings). The loans from the ultimate holding company of HK$40 million (2011: HK$40 million) were secured by a share charge over the entire issued share capital of a wholly-owned subsidiary of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors and one non-executive Director. Dr. Wong Wing Kuen, Albert, chairman of the Audit Committee, has the appropriate professional qualification and experience in financial matters as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). This committee is authorized by the Board and is responsible for reviewing the financial reports, internal control principles and for maintaining an appropriate relationship with the Company's auditors. The Audit Committee has reviewed the Group's consolidated financial statement for the year, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF ANDA CPA LIMITED

The figures above in respect of this annual results announcement for the year ended 31 March 2012 have been agreed with the Company's auditor, ANDA CPA Limited ("ANDA"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by ANDA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standard on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accounts and consequently no assurance has been expressed by ANDA on this announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensure a high standard of corporate governance. For the year ended 31 March 2012, the Group has applied the principles and complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules with the following deviations:

Code Provision A.2.1 stipulates that the roles of the chairman and chief executive should be separated and should not be performed by the same individual.

Dr. So Shu Fai was the chairman of the Board while the position of chief executive has been left vacant throughout the year. The Board considered it appropriate and necessary in the best interests of the Company and the Group that board leadership and executive management, comprising all four executive Directors, be in the same individual to be able to react quickly in response to market environment and technology changes, in particular, the Group has been facing these recent years.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Except for Mr. Pang Hon Chung, an independent non-executive Director of the Company, all other non-executive directors have a specific term of appointment. Under the Company's articles of association (the "Articles"), all non-executive Directors are required to retire by rotation at the annual general meeting at least one every three years. The Board considers this requirement under the Articles accomplishes the same objective as the requirement of a specific term.

Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the Articles, on the other hand, is inconsistent with this Code Provision in that it provides that one-third of the Directors for the time being (save for the Chairman or managing director or joint managing director), or if their number is not three nor a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years and being eligible, offer themselves for re-election at annual general meetings. The Board considers that the chairman and managing director should not subject to this retirement by rotation to ensure continuity of leadership and stability for growth of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted its code of conduct for securities transactions by Directors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2012.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting (the "Annual General Meeting") of the Company will be held on Tuesday, 28 August 2012. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE WEBSITE

The annual report of the Company for the year ended 31 March 2012 containing all information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.tonic.com.hk.

On behalf of the Board
Huang Peikun
Chairman

Hong Kong, 29 June 2012

As at the date of this announcement, the Board comprises Mr. Huang Peikun, Dr. So Shu Fai, Mr. Liu Zhuogen, Mr. Yu Zhiliang as Executive Directors; Ms. Liu Ning as Non-executive Director and Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping and Dr. Shi Xinping as Independent Non-executive Directors.