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 2011

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 2011 (the "Year"), together with the comparative figures for the year ended 31 March 2010, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Turnover	*5*	**77,394**	486,237
Cost of sales		**(75,007)**	(522,321)
Gross profit/(loss)		**2,387**	(36,084)
Other income	*6*	**4,590**	5,675
Selling expenses and distribution costs		**(897)**	(1,430)
Administrative expenses		**(40,315)**	(100,420)
Gains on equity investments at fair value through profit or loss		**–**	1,094
Provision for impairment of assets		**(2,281)**	(224,832)
Provision against inventories		**(2,516)**	(270,945)
Loss on auctions of sequestrated inventories		**–**	(156,000)
Gain on deconsolidation of a liquidating subsidiary	*7*	**243,503**	–
Gain on debt restructuring	*8*	**217,108**	–
Profit/(loss) from operations		**421,579**	(782,942)
Finance costs	*9*	**(33,135)**	(22,454)
Profit/(loss) before tax		**388,444**	(805,396)
Income tax	*10*	**–**	14,982
Profit/(loss) for the year attributable to equity holders of the Company	*11*	**388,444**	(790,414)
Earnings/(loss) per share	*13*		
Basic (HK cents per share)		**93**	(747)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 HK$'000	2010 HK$'000
Profit/(loss) for the year attributable to equity holders of the Company	*11, 14*	**388,444**	(790,414)
Translation differences of foreign operations		**992**	283
Translation differences reclassified to profit or loss upon deconsolidation of scheme subsidiaries		**(18,931)**	–
Surplus/(deficit) on property revaluation		**35,561**	(27,384)
Deferred tax on property revaluation reserve:			
– (Surplus)/deficit on revaluation		**(8,890)**	6,901
– Release on disposal		**–**	624
Other comprehensive income/(loss) for the year, net of tax		**8,732**	(19,576)
Total comprehensive income/(loss) for the year attributable to equity holders of the Company		**397,176**	(809,990)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Notes	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000 (restated)	At 1 April 2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**227,411**	400,807	703,300
Intangible assets		**–**	–	10,345
Deposits for acquisition of items of property, plant and equipment		**–**	–	53
		227,411	400,807	713,698
Current assets				
Inventories		**7,172**	1,466	353,832
Accounts receivables	*14*	**9,801**	831	68,495
Factored accounts receivables		**–**	–	53,394
Prepayments, deposits and other receivables		**2,054**	935	16,418
Equity investments at fair value through profit or loss		**–**	–	2,592
Derivative financial instruments		**–**	–	382
Due from a scheme subsidiary		**122,055**	–	–
Current tax assets		**–**	1,919	–
Cash and bank balances		**8,927**	30,176	36,758
		150,009	35,327	531,871
Current liabilities				
Accounts payables	*15*	**2,245**	319,210	342,022
Accruals and other payables		**31,038**	82,249	43,548
Borrowings		**186,755**	408,707	330,746
Finance lease payables		**–**	3,387	6,681
Due to directors		**1,000**	629	–
Current tax liabilities		**258**	13,785	21,265
		221,296	827,967	744,262
Net current liabilities		**(71,287)**	(792,640)	(212,391)
Total assets less current liabilities		**156,124**	(391,833)	501,307

	At 31 March 2011	At 31 March 2010	At 1 April 2009
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Borrowings	**81,765**	–	61,144
Deferred tax liabilities	**15,844**	31,477	53,483
	97,609	31,477	114,627
NET ASSETS/(LIABILITIES)	**58,515**	(423,310)	386,680
Capital and reserves			
Share capital	**10,685**	105,789	105,789
Reserves	**47,830**	(529,099)	280,891
TOTAL EQUITY	**58,515**	(423,310)	386,680

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"). After the capital and the group reorganisation (the "Restructuring") that took place on 3 December 2010 (the "Effective Date"), the directors of the Company (the "Directors") consider that the Company's holding company and ultimate holding company is Skill China Limited, a limited liability company incorporated in the British Virgin Islands.

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

2. BASIS OF PREPARATION

At the end of the reporting period, the Group had consolidated net current liabilities of approximately HK$71,287,000 (2010: HK$792,640,000). This condition therefore indicate the existence of a material uncertainty in relation to the Group's ability to continue as a going concern. In view of such circumstance, 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.

On the Effective Date, the Company announced that the Restructuring set out in the circular of the Company issued on 28 June 2010 (the "Circular") and approved by the shareholders of the Company at a special general meeting on 26 July 2010, had been completed, including principal elements as summarised below. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Circular.

(a) The Capital Reorganisation comprising the Capital Reduction, Share Sub-division and Share Consolidation. Before the Capital Reorganisation, the authorised share capital of the Company is HK$300,000,000 divided into 3,000,000,000 Existing Shares of HK$0.10 each, and the issued share capital of the Company is HK$105,788,996.20 divided into 1,057,889,962 Shares. Immediately after completion of the Capital Reorganisation, the authorised share capital of the Company will be HK$300,000,000, divided into 30,000,000,000 New Shares of HK$0.01 each and the issued share capital of the Company will be reduced to HK$1,057,889.96 divided into 105,788,996 New Shares of HK$0.01 each. The Shares will rank pari passu in all respects with each other.

(b) Subscription of 909,785,366 Subscription Shares with a par value of HK$0.01 each at the Subscription Price of approximately HK$0.0879 per Subscription Share resulting in the cash consideration of HK$80 million, and issuance of 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 in settlement of part of professional fees in relation to the Restructuring.

(c) A Group Reorganisation and Creditor Scheme which split the Group into a group comprising the Company and certain subsidiaries retained under the control of the Company (the "Retained Subsidiaries") (altogether with the Company referred to as the "Retained Group") and a group comprising the other subsidiaries to be held outside the Retained Group (the "Scheme Subsidiaries") by a special purpose vehicle (the "Schemeco") wholly-owned by the Administrators of the Creditor Scheme (the "Administrators").

(d) Pursuant to the Creditor Scheme, from the Effective Date, the scheme Claims (as defined in the joint announcement of the Company and the board of directors of Skill China Limited dated 27 January 2010) was released and discharged, and the proceeds from future disposal of assets or business of the Scheme Subsidiaries, together with a sum of HK$80 million, being the consideration of the Subscription Shares and 63,473,398 Option Shares allocated from 909,785,366 Subscription Shares as mentioned in note (b) above were made available to the Administrators to settle and discharge the Claims under the Creditor Scheme.

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 year taking into consideration the specific measures to improve its financial position which include, but not limited to, the following:

(a) On the successful implementation of the Restructuring, the Group has been released and discharged from all the scheme Claims, thereby improving the liquidity position of the Group at the end of the reporting period;

(b) The ultimate holding 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 opportunities to broaden its business scope and sources of income 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 financial support of the ultimate holding company 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 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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 except as stated below:

Classification of Land Leases

Amendments to HKAS 17 "Leases" deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

The Group reclassifies a land lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

Amendments to HKAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in these financial statements as follows:

	At 31 March 2011 *HK$'000*	At 31 March 2010 *HK$'000*	At 1 April 2009 *HK$'000*
Increase in property, plant and equipment	**17,535**	35,032	42,000
Decrease in prepaid land lease payments	**(17,535)**	(35,032)	(42,000)

The retrospective application of the amendments to HKAS 17 has resulted in the restatement of items in the consolidated statements of financial position as at 31 March 2010 and 1 April 2009. The related explanatory notes affected by the amendments have been re-presented in the financial statements to comply with the new requirements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new 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 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 dividend income, 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, tax assets, cash and bank balances and other unallocated corporate assets. Segment liabilities do not include borrowings, amounts due to directors, tax liabilities and unallocated corporate liabilities. Segment non-current assets do not include financial instruments and tax assets.

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

	2011 *HK$'000*	2010 *HK$'000*
Year ended 31 March		
Revenue from external customers	**77,394**	486,237
Segment losses	**39,037**	783,180
Interest revenue	**5**	71
Interest expense	**33,135**	22,454
Other material items of income and expense:		
Gains on equity investments at fair value through profit or loss	**–**	1,094
Depreciation and amortisation	**17,886**	46,848
Income tax	**–**	14,982
Other material non-cash item:		
Provision against inventories	**2,516**	270,945
Loss on auctions of sequestrated inventories	**–**	156,000
Additions to segment non-current assets	**2,081**	23,687
At 31 March		
Segment assets	**246,338**	404,039
Segment liabilities	**31,767**	401,450

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

	2011 *HK$'000*	2010 *HK$'000*
Revenue		
Total turnover of the reportable segment disclosed as consolidated turnover	**77,394**	486,237
Profit or loss		
Total loss of reportable segments	**(39,037)**	(783,180)
Gain on deconsolidation of a liquidating subsidiary	**243,503**	–
Gain on debt restructuring	**217,108**	–
Corporate and unallocated profit and loss	**(33,130)**	(7,234)
Consolidated profit/(loss)	**388,444**	(790,414)

	2011 *HK$'000*	2010 *HK$'000*
Assets		
Total assets of reportable segments	**246,338**	404,039
Due from a scheme subsidiary	**122,055**	–
Current tax assets	**–**	1,919
Cash and bank balances	**8,927**	30,176
Corporate and unallocated assets	**100**	–
Consolidated total assets	**377,420**	436,134
Liabilities		
Total liabilities of reportable segments	**31,767**	401,450
Borrowings	**268,520**	408,707
Finance lease payables	**–**	3,387
Current tax liabilities	**258**	13,785
Deferred tax liabilities	**15,844**	31,477
Corporate and unallocated liabilities	**2,516**	638
Consolidated total liabilities	**318,905**	859,444

Geographical information:

	Revenue	
	2011 *HK$'000*	2010 *HK$'000*
Revenue		
Greater China	**46,299**	287,693
Americas	**–**	128,545
Dubai	**7,839**	–
Europe	**–**	67,663
Philippines	**23,256**	–
Others	**–**	2,336
Consolidated total	**77,394**	486,237

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:

	2011	2010
	HK$'000	*HK$'000*
Manufacture and sales of electronic consumer products and related components	**76,383**	486,237
Service fees from processing of electronic consumer products and related components	**1,011**	–
	77,394	486,237

6. OTHER INCOME

The Group's other income is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**5**	71
Dividend income from listed investments	**–**	167
Rental income	**284**	–
Bad debts recovered	**3,756**	–
Sundry income	**545**	5,437
	4,590	5,675

7. GAIN ON DECONSOLIDATION OF A LIQUIDATING SUBSIDIARY

As detailed in the Company's announcement dated 6 July 2010, 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 have been 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 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 30 June 2010.

	HK$'000
Net liabilities of the subsidiary deconsolidated on 30 June 2010 were as follows:	
Property, plant and equipment	26,626
Prepayments, deposits and other receivables	87
Current tax assets	1,919
Cash and bank balances	131
Accounts payables	(153,377)
Accruals and other payables	(22,578)
Amounts due to the Group	(140,184)
Borrowings	(92,197)
Deferred tax liabilities	(4,114)
Net liabilities of the deconsolidated subsidiary	(383,687)
Impairment of amounts due from the deconsolidated subsidiary	140,184
Gain on deconsolidation of the liquidating subsidiary	(243,503)

8. GAIN ON DEBT RESTRUCTURING

The Restructuring was completed on the Effective Date. In order to reorganise the Group and to facilitate the implementation of the Creditor Scheme, the Scheme Subsidiaries were transferred to the Administrators of the Creditor Scheme. The Group has ceased to control the Scheme Subsidiaries after the transfer. On the Effective Date, the results, assets and liabilities, and cash flows of the Scheme Subsidiaries were derecognised from the Group.

	Notes	*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 the 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 a new investor, Skill China Limited, 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 year, an indirect wholly-owned subsidiary of the Company, Dongguan 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 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 reporting period. Under the Xin Lian Loans arrangement, it is 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

	2011	2010
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank and other borrowings	**32,224**	22,337
Loans from the ultimate holding company	**800**	–
Finance leases	**111**	117
	33,135	22,454

10. INCOME TAX

	2011	2010
	HK$'000	*HK$'000*
Current – Hong Kong		
Overprovision in prior year	**–**	(904)
Current – Mainland China		
Charge for the year	**–**	410
Deferred tax	**–**	(14,488)
	–	(14,982)

Neither Hong Kong Profits Tax nor Enterprise Income Tax in the Mainland China has been provided, since the Group has no assessable profit for the year. During the prior year, tax charge on profits assessable in the People's Republic of China (the "PRC") was calculated at the rates of tax prevailing in the PRC, based on existing legislation, interpretation and practices in respect thereof.

The Hong Kong Inland Revenue Department (the "IRD") had initiated tax queries to an indirect wholly-owned subsidiary of the Company for the years of assessment from 2005/2006 to 2008/2009. The management is of the opinion that, in all the relevant years, adequate Hong Kong tax provisions were made on the Hong Kong sourced income. Since the tax queries are still at a fact-finding stage, the outcome of the tax queries cannot be readily ascertained. Should the Group be unable to provide sufficient documentation information in response to the tax queries from the IRD and in case where the tax charged by the IRD are different from the estimated amounts, the Group would have to pay an additional Hong Kong Profits Tax for the years of assessment 2005/2006 to 2008/2009.

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

	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) before tax:	**388,444**	(805,396)
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**64,093**	(132,891)
Effect of different tax rates of subsidiaries	**(12,069)**	(26,406)
Adjustments in respect of current tax of previous year	**–**	(904)
Income not subject to tax	**(94,124)**	(226)
Expenses not deductible for tax	**37,587**	103,977
Tax losses utilised from previous periods	**(912)**	(300)
Tax losses not recognised	**5,425**	41,492
Others	**–**	276
Tax at the Group's effective rate	**–**	(14,982)

11. PROFIT/(LOSS) FOR THE YEAR

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

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**75,007**	522,321
Provision against inventories	**2,516**	270,945
Loss on auctions of sequestrated inventories	**–**	156,000
Gains on derivative financial instruments, net	**–**	(464)
Depreciation on property, plant and equipment	**17,886**	41,216
Amortisation of software development costs*	**–**	55
Research and development costs:		
Amortisation of deferred development costs*	**–**	5,577
Current year expenditure	**–**	123
	–	5,700
Minimum lease payments under operating leases on land and buildings	**639**	524
Auditors' remuneration	**766**	570
Employee benefits expense (including directors' remuneration):		
Wages, salaries and allowances	**16,550**	79,828
Pension scheme contributions	**253**	819
Less: Forfeited contributions**	**–**	–
	16,803	80,647
Provision for impairment of assets:		
Impairment of items of property, plant and equipment	**2,070**	156,268
Impairment of deposits for acquisition of items of property, plant and equipment	**–**	53
Impairment of intangible assets	**–**	4,713
Impairment of accounts receivables	**–**	32,710
Impairment of factored accounts receivables	**–**	19,691
Impairment of deposits and other receivables	**211**	10,799
Impairment of prepaid land lease payments	**–**	598
	2,281	224,832
Loss on disposal of items of property, plant and equipment	**–**	43,083

* The amortisation of software development costs and the deferred development costs for the prior year were included in "Selling expenses and distribution costs" and "Cost of sales", respectively, on the face of the consolidated income statement.

** The Group had no forfeited contributions available to offset its future employers' contributions during the year.

12. DIVIDEND

No dividend has been proposed or declared by the Company during the two years ended 31 March 2011 and 2010.

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the earnings/(loss) per share is based on the profit attributable to equity holders of the Company of approximately HK$388,444,000 (2010: a loss of approximately HK$790,414,000) and the weighted average number of ordinary shares of 419,649,007 (2010: 105,788,996, as restated) in issue during the year calculated as adjusted to reflect the share consolidation during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as there were no potential dilutive ordinary shares outstanding for both years.

14. ACCOUNTS RECEIVABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Accounts receivables	**9,801**	33,541
Less: Impairments *(note 11)*	**–**	(32,710)
	9,801	831

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 63% (2010: 100%) and 100% (2010: 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	
	2011	2010
	HK$'000	*HK$'000*
30 days or less	**5,261**	831
31 to 60 days	**4,540**	–
	9,801	831

The movements in the Group's provision for impairment of accounts receivables are as follows:

	HK$'000
Balance at beginning of the year	32,710
Deconsolidation of a liquidating subsidiary	(5,823)
Deconsolidation of Scheme Subsidiaries	(26,887)
Balance at end of the year	–

Included in the provision for impairment of accounts receivables at 31 March 2010 were individually impaired accounts receivables of approximately HK$32,710,000 with an equivalent gross carrying amount at the end of last reporting period . The individually impaired accounts receivables related to customers that were in default of payment. The Group did not hold any collateral or other credit enhancements over these balances.

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

15. ACCOUNTS PAYABLES

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
30 days or less	**327**	134
31 to 60 days	**1,473**	–
61 to 90 days	**275**	225
Over 90 days	**170**	318,851
	2,245	319,210

16. COMPARATIVE FIGURES

As further explained in note 3 to this Announcement, due to the adoption of certain revised HKFRSs during the current year, the presentation of certain items, balances and the related explanatory notes to this Announcement have been revised to comply with the new requirements. Accordingly, certain comparative figures have been re-presented to conform with the current year's presentation.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expresses an unqualified opinion in the auditor's report, but wishes to draw attention by adding the emphasis of matter as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2011, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter – going concern basis

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates the Group's current liabilities exceeded its current assets by approximately HK$71,287,000 as at 31 March 2011. As further detailed in note 2 to the consolidated financial statements, the Group has identified measures to improve its financial position, certain of which have been implemented. The Group's ability to continue as a going concern is dependent on the successful implementation of these measures.

BUSINESS REVIEW

Group Results

During the Year, the Group recorded a turnover of HK$77.39 million (2010: HK$486.24 million) and a profit attributable to equity holders of the Company of HK$388.44 million (2010: loss of HK$790.41 million). However, the profit was arrived at after crediting non-cash gains of (a) HK$243.50 million from the gain on deconsolidation of a liquidating subsidiary and (b) HK$217.11 million from the gain on debt restructuring as a result of the creditor scheme as detailed in the Company's announcement dated 27 January 2010 and the circular to shareholders dated 28 June 2010. Without these non-cash credits, there would have been a loss of HK$72.17 million for the Year (2010: loss of HK$790.41 million).

Arising from the continuing drop in export sales to Europe and the United States since 2008 because of the worsening global financial situation, turnover of the Group dropped by 84% to HK$77.39 million during the Year compared with HK$486.24 million recorded during the year before. Turnover for the first half Year dropped to HK$18.21 million because of deteriorating market conditions overseas and the Group's down scaling of its operations. However, the Group's strategic down scaling of its operations, the timely implementation of structural and capital reorganizations as well as the instigation of the creditor scheme have steadily improved the business to HK$59.18 million during the second half Year.

The Group Reorganisation, Capital Reorganisation and Creditor Scheme

The Year under review was one which the Group took bold steps to overcome the many difficulties the Group was facing since the global financial crisis in 2008. During the Year, the Company successfully completed the major exercises of reorganization, capital reorganization and a creditor scheme. The details are as contained in the circular dated 28 June 2010 to shareholders of the Company.

These initiatives received (i) shareholders' approval at the extraordinary general meeting of the Company held on 26 July 2010 (ii) creditors' approval on 28 October 2010 and, finally (iii) the approval of the Grand Court of the Cayman Islands and High Court of the Hong Kong Special Administration Region on 16 November 2010, and 26 November 2010, respectively.

With the completion of the Group reorganization, capital reorganization and the creditor scheme in early December 2010 and also the introduction of a new Executive Board since 1 January 2011, the Company is in a better position to strengthen its operations, to enhance cost-effectiveness, and to explore new business initiatives in the foreseeable future.

PROSPECTS

The Directors are optimistic that the present policy of strengthening the Group's domestic sales while at the same time exploring new business initiatives, particularly those with potential synergy, for widening the Group's business horizon will progressively improve the turnover and profitability of the Group in the foreseeable future.

FINAL DIVIDEND

The Board does not recommend payment of a final cash dividend in respect of the year ended 31 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As of 31 March 2011, the net assets value of the Group attributable to equity holders of the Company amounted to approximately HK$58.51 million (2010: net liabilities of approximately HK$423.31 million). This represents a remarkable turnaround from a year ago and has been the direct result of the capital reorganization completed in December 2010 after the elimination of various loss-making subsidiaries as well as significant debts.

As of 31 March 2011, the trade receivable balance was approximately HK$9.80 million (2010: HK$0.83 million (after impairment). All trade receivables were on 30 to 90 days credit terms with strict control to minimize credit risks.

As of 31 March 2011, the Group's aggregated borrowings were approximately HK$268.52 million (2010: HK$408.71 million). The big drop has resulted mainly from the elimination of debts as through the creditor scheme.

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 Relations

As of 31 March 2011, the Group had 320 (2010: 195) employees in Hong Kong SAR and on the mainland of the People Republic of China.

Upon implementation of the group reorganization and business restructuring, the Group's total expenses on salaries, wages and allowances for the year ended 31 March 2011 downscaled to approximately HK$16.8 million (2010: HK$80.6 million). Employees' remuneration packages are generally structured by reference to market conditions, individual qualifications and performance. In addition to basic salary payment, other benefits offered to employees include contributions to mandatory provident fund, group medical insurance and group personal accident insurance.

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

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

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Pang Hon Chung, chairman of the Audit Committee, has the appropriate professional qualification and experience in financial matters as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 2011 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 Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ANDA on this announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practice ("CG Code") during the year ended 31 March 2011 as set out in Appendix 14 to the Listing Rules save as disclosed below:

Code Provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Ling Siu Man, Simon occupied both positions during the Year until 31 December 2010 from which date Dr. So Shu Fai assumed the role of the chairman while the position of chief executive officer has been left vacant pending future arrangements. For the case with Mr. Ling, the Board considers it appropriate and necessary in the best interests of the Company and the Group that board and executive management leadership be in the same individual to be able to react quickly in response to market environment and technology changes, in particular, those 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. Mr. Pang Hon Chung, being an independent non-executive director has not been appointed with a specific term. However, since he is subject to retirement by rotation at least once every 3 years as required by the Articles, the same objective of the said Code Provision has been achieved.

Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation once every three years. According to Article 116 of the Articles of Association of the Company, at each annual general meeting, the number nearest to but not less than one-third of the directors (other than the chairman or the managing director or joint managing director) for the time being shall retire from office by rotation, provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted its code of conduct for securities transactions by directors of the Company ("Directors") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, the Company hereby confirms that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2011.

On behalf of the Board
Dr. So Shu Fai
Chairman

Hong Kong, 28 June 2011

As at the date of this announcement, the Board comprises Dr. So Shu Fai, Mr. Mak Bing Kau, Mr. Ng Wai Hung and Mr. Lau Cheuk Lun as Executive Directors and Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul as Independent Non-executive Directors.