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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 NINE MONTHS ENDED 31 DECEMBER 2012

The board of directors (the "Board") 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 nine months ended 31 December 2012, together with the comparative figures for the year ended 31 March 2012, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 APRIL 2012 TO 31 DECEMBER 2012

	Notes	**From 1 April 2012 to 31 December 2012** *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Turnover	*5*	**91,453**	178,214
Cost of sales		**(90,074)**	(181,272)
Gross profit (loss)		**1,379**	(3,058)
Other income	*6*	**177**	3,502
Selling expenses and distribution costs		**(21)**	(766)
Administrative expenses		**(8,036)**	(31,025)
Loss on disposal of property, plant and equipment		**(86)**	(6)
(Loss) gain on loss of control of subsidiaries	*7*	**(5,062)**	8,911
Impairment loss recognised in respect of property, plant and equipment		**–**	(26,870)
Finance costs	*8*	**(147)**	(13,308)
Loss for the period/year attributable to equity holders of the Company	*10*	**(11,796)**	(62,620)
Loss per share			
Basic (HK cents)	*12*	**(1.1)**	(5.9)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 APRIL 2012 TO 31 DECEMBER 2012

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Loss for the period/year	**(11,796)**	(62,620)
Other comprehensive income (expense)		
Exchange differences arising on translation of foreign operations	**(76)**	2,821
Reclassified to profit or loss upon loss of control of subsidiaries	**7,765**	–
Surplus on property revaluation	**–**	7,514
Deferred tax on property revaluation	**–**	(1,879)
Total comprehensive expense for the period/year attributable to equity holders of the Company	**(4,107)**	(54,164)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	At 31 December 2012 HK$'000	At 31 March 2012 HK$'000
Non-current assets			
Property, plant and equipment		**33**	186,038
Prepaid lease payments		**–**	17,892
		33	203,930
Current assets			
Inventories		**–**	5,499
Accounts receivables	*13*	**48,322**	9,215
Prepayments, deposits and other receivables		**238**	2,313
Cash and bank balances		**3,927**	33,683
		52,487	50,710
Current liabilities			
Accounts payables	*14*	**42,269**	570
Accruals and other payables		**1,391**	25,825
Borrowings		**8,000**	185,570
Amount due to a director		**–**	2,000
Amount due to an intermediate holding company		**616**	–
		52,276	213,965
Net current assets (liabilities)		**211**	(163,255)
Total assets less current liabilities		**244**	40,675
Non-current liabilities			
Borrowings		**–**	18,000
Deferred tax liabilities		**–**	18,324
		–	36,324
NET ASSETS		**244**	4,351
Capital and reserves			
Share capital		**10,685**	10,685
Reserves		**(10,441)**	(6,334)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**244**	4,351

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"). The address of the registered office and principal place of business of the Company is Room 3111, 31/F, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.

On 24 April 2012, a sales and purchase agreement was entered into between Success Well Investments Limited ("Success Well") and Skill China Limited ("Skill China") in connection with the acquisition of approximately 66.18% of the aggregate issued share capital of the Company (the "Acquisition"). The Acquisition was completed on 7 May 2012 ("Completion"). Immediately after Completion, the Company's immediate holding company became Success Well, which is a limited liability company incorporated in the British Virgin Islands (the "BVI") and is indirectly wholly-owned by Eureka Investment Company Limited ("Eureka"), an intermediate holding company of the Company. The ultimate holding company of the Company became China Merchants Group Limited ("CMG"). CMG is a People's Republic of China ("PRC") enterprise regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council, PRC and CMG is owned and controlled by the PRC government.

Prior to the Acquisition, Skill China, a limited liability company incorporated in the BVI, was the immediate and ultimate holding company of the Company.

As set out in the Company's announcement dated 8 October 2012, the board of directors of the Company announced that the financial year end date of the Company and the Group has been changed from 31 March to 31 December to conform with the financial year end date of China Merchants Property Development Company Ltd, an intermediate holding company of the Company which is incorporated in the PRC with shares listed on the Shenzhen Stock Exchange, holding the entire equity interests in Eureka.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are trading of electronic and electrical products and related components and building related materials and equipment.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in note 1, on 8 October 2012, the board of directors of the Company decided to change the financial year end date of the Company and the Group from 31 March to 31 December. Accordingly, the consolidated financial statements for the current period cover a nine-month period from 1 April 2012 to 31 December 2012. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve-month period from 1 April 2011 to 31 March 2012 and therefore may not be comparable with amounts shown for the current period.

The consolidated financial statements have been prepared on a going concern basis because Eureka, an intermediate holding company of the Company, has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as and when they fall due for a period of at least twelve months from the date of issuance of these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied the following new and revised HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to HKFRS 7	Financial Instruments: Disclosure – Transfer of Financial Assets; and
Amendments to HKAS 1	As part of the Annual Improvement to HKFRSs 2009–2011 Cycle issued in 2012

Amendments to HKAS 1 Presentation of Financial Statements (as part of the Annual Improvement to HKFRSs 2009–2011 Cycle issued in June 2012)

In current period, the Group has applied for the first time the amendments to HKAS 1 in advance of effective date (annual periods beginning on or after 1 January 2013). HKAS 1 requires an entity that changes an accounting policy retrospectively, or makes a retrospective restatement or reclassification, to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In current period, the leasehold interest in land under an operating lease, which was previously classified as property, plant and equipment in previous consolidated financial statements of the Group have been reclassified to prepaid lease payments in the comparative figures of the consolidated statement of financial position as at 31 March 2012. The directors of the Company consider that the reclassification from property, plant and equipment to prepaid lease payments has no material effect on the information presented in the consolidated statement of financial position at 1 April 2011 and accordingly such third consolidated statement of financial position has not been presented in these consolidate financial statements.

Other than described above, the application of new and revised HKFRSs in the current period has had no material effect on the amounts reported in the consolidated financial statements for the current period and prior years and/or disclosures set out in the consolidated financial statements.

HKFRSs issued but not yet effective

The Group has not early applied the following HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle, except for the amendments to HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendment to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of HKFRSs will have no material impact on the results and the financial positions of the Group.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Company's directors.

For the management purpose, the Group is currently organised into the following two operating and reportable segments: (i) the sales of electronic and electrical products and related components and; (ii) the sales of building related materials and equipment for property development, a new operating segment which commenced business since October 2012.

The information of the Group's operating and reportable segment is analysed as follow:

Segment revenue and results

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Segment revenue from external customers		
– sales of electronic and electrical products and related components	**80,102**	178,214
– sales of building related materials and equipment for property development	**11,351**	–
Total segment revenue	**91,453**	178,214
Segment profit (losses)		
– sales of electronic and electrical products and related components	**(1,915)**	(42,795)
– sales of building related materials and equipment for property development	**330**	–
Total segment losses	**(1,585)**	(42,795)
Other unallocated and corporate expenses	**(5,003)**	(15,449)
Finance costs	**(147)**	(13,308)
(Loss) gain on loss of control of subsidiaries	**(5,062)**	8,911
Interest income	**1**	21
Loss for the period/year	**(11,796)**	(62,620)
Amount included in the measure of segment profit (losses):		
Impairment loss recognised in respect of property, plant and equipment	**–**	26,870

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (losses) represents the profit (losses) from operating and reportable segment without allocation of unallocated corporate expenses, finance costs and loss/gain on loss of control of subsidiaries and interest income. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

Geographical information

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Revenue		
Mainland China	**17,234**	69,275
Dubai	**47,715**	84,948
The Philippines	**1,362**	23,991
Macau	**25,142**	–
	91,453	178,214

In presenting the geographical information, revenue is based on the locations that the goods are delivered to.

Analysis of segment assets and liabilities has not been presented as it is not regularly reviewed by the chief operating decision maker.

The Group's non-current assets by geographical location of the assets is detailed as below:

	At 31 December 2012 *HK$'000*	At 31 March 2012 *HK$'000*
Mainland China	**15**	203,930
Hong Kong	**18**	–
	33	203,930

Information about major customers

Information about revenue from three (from 1 April 2011 to 31 March 2012: four) customers of the Group contributing over 10% of total revenue of the Group is as follows:

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Sales of electronic and electrical products and related components:		
Customer A	**33,466**	84,948
Customer B	*	42,535
Customer C	*	21,397
Customer D	*	20,741
Customer E	**25,142**	*
Customer F	**14,250**	*

In addition, the Group generated revenue from fellow subsidiaries relating to sales under both operating segments amounting to HK$12,659,000 from 1 April 2012 to 31 December 2012 (from 1 April 2011 to 31 March 2012: Nil).

* The customers did not contribute sales of the Group for the period/year.

5. TURNOVER

The Group's turnover which represents sales of goods to customers is as follows:

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Sales of electronic and electrical products and related components	**79,350**	108,939
Sales of set-top boxes	**752**	65,355
Sales of building related materials and equipment for property development	**11,351**	–
Service fee from processing of electronic consumer products and related components	**–**	3,920
	91,453	178,214

6. OTHER INCOME

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Bank interest income	**1**	21
Rental income	**93**	2,630
Sundry income	**83**	851
	177	3,502

7. (LOSS) GAIN ON LOSS OF CONTROL OF SUBSIDIARIES

(a) On 19 April 2012, the board of directors resolved to voluntarily wind up an indirect wholly-owned subsidiary of the Company, Total Ally Holdings Limited ("Total Ally"). Mr. Lai Kar Yan, Derek, Mr. Yeung Lui Ming, Edmund and Mr. Ho Kwok Leung, Glen have been appointed as liquidators for the winding up of Total Ally jointly and severally.

Total Ally and its subsidiaries ("Total Ally Group") are involved in PRC operations which operated a factory in the PRC manufacturing TV set-top boxes of the Group.

Upon the appointment of liquidators, the directors of the Company considered that the Group had no power to govern the financial and operating decision of Total Ally Group. The results, assets and liabilities and cash flows of Total Ally Group were deconsolidated from the consolidated financial statements of the Group from 19 April 2012.

The net liabilities of Total Ally Group at the date of loss of control were as follows:

Net liabilities:

	HK$'000
Property, plant and equipment	185,310
Prepaid lease payments	17,876
Inventories	4,023
Accounts receivables	9,341
Prepayments, deposit and other receivables	1,026
Cash and bank balances	7,388
Accounts payables	(4,786)
Accruals and other payables	(19,987)
Borrowings	(182,570)
Amount due to a director	(2,000)
Deferred tax liabilities	(18,324)
Net liabilities	(2,703)
Exchange reserve released	7,765
Loss on loss of control of subsidiaries	5,062
Net cash outflow arising on loss of control of subsidiaries	
Cash and bank balances	(7,388)

(b) On 20 February 2012, the board of directors resolved to voluntarily wind up an indirect wholly-owned subsidiary of the Company, Tonic DVB Marketing Limited ("TDML"). TDML became dormant since 2010. Mr. Mark Chapman, Mr. Yeung Lui Ming, Edmund and Mr. Darach E. Haughey have been appointed as the liquidators of TDML with the power to act jointly and severally. The directors of the Company considered that the control over TDML has been lost since then. The results, assets and liabilities and cash flows of TDML were deconsolidated from the consolidated financial statements of the Group with effect from 20 February 2012.

The net liabilities of TDML at the date of loss of control were as follows:

Net liabilities:

	HK$'000
Prepayments, deposits and other receivables	11
Cash and bank balances	16
Accounts payables	(170)
Accruals and other payables	(8,510)
Amounts due to the Group	(24,364)
Current tax liabilities	(258)
Net liabilities	(33,275)
Impairment of amounts due from the deconsolidated subsidiary	24,364
Gain on loss of control of subsidiary	(8,911)
Net cash outflow arising on loss of control of subsidiary	
Cash and bank balances	(16)

8. FINANCE COSTS

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank and other borrowings	**59**	11,494
Loans from ultimate holding company	**–**	800
Loans from immediate holding company	**14**	–
Loans from shareholders of the Company	**74**	1,014
	147	13,308

9. INCOME TAX

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax has been made for the period/year as the Group has no assessable profit for the period/year.

Under the law of People's Republic of China on Enterprise Income Tax ("the EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The tax charge for the period/year can be reconciled to the loss for the period/year per the consolidated income statement as follows:

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Loss for the period/year	**(11,796)**	(62,620)
Tax at the Hong Kong Profits Tax rate of 16.5% (from 1 April 2011 to 31 March 2012: 16.5%)	**(1,946)**	(10,332)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(235)**	(4,590)
Tax effect of income not taxable for tax purpose	**(232)**	(5,496)
Tax effect of expenses not deductible for tax purpose	**1,783**	18,631
Utilisation of tax losses previously not recognised	**(163)**	–
Tax effect of tax losses not recognised	**793**	1,787
Taxation	**–**	–

10. LOSS FOR THE PERIOD/YEAR

The loss for the period/year is stated after charging:

	From 1 April 2012 to 31 December 2012 *HK$'000*	From 1 April 2011 to 31 March 2012 *HK$'000*
Amortisation of prepaid lease payments	**16**	306
Auditor's remuneration	**550**	552
Cost of inventories recognised in profit or loss	**90,074**	181,272
Depreciation on property, plant and equipment	**612**	11,741
Minimum lease payments under operating leases on land and buildings	**224**	1,026
Net exchange loss	**2**	556
Employee benefits expense (including directors' remuneration):		
Wages, salaries and allowances	**3,059**	17,891
Pension scheme contributions	**88**	433
	3,147	18,324

11. DIVIDEND

No dividend was paid or proposed to be paid during the period from 1 April 2012 to 31 December 2012 (from 1 April 2011 to 31 March 2012: Nil) and no dividend has been proposed to be paid since the end of the reporting period.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK$11,796,000 (from 1 April 2011 to 31 March 2012: a loss of approximately HK$62,620,000) and the 1,068,468,860 ordinary shares in issue during the period/year.

Diluted loss per share is not presented from 1 April 2012 to 31 December 2012 nor from 1 April 2011 to 31 March 2012 as there is no potential ordinary shares outstanding during the period/year or at the end of the reporting periods.

13. ACCOUNTS RECEIVABLES

	At 31 December 2012 *HK$'000*	At 31 March 2012 *HK$'000*
Accounts receivables, trade	**48,322**	9,215

The Group's trading terms with its customers are mainly on credit. The credit period is generally 0 to 30 days. 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 52% (31 March 2012: 85%) and 91% (31 March 2012: 100%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively.

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

	At 31 December 2012 HK$'000	At 31 March 2012 HK$'000
30 days or less	**18,852**	5,097
31 to 60 days	**14,377**	487
61 to 90 days	**4,273**	3,631
Over 90 days	**10,820**	–
	48,322	9,215

Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customer's credit quality and defines credit limits by customers. Limits attributed to customers are reviewed regularly. 39% (31 March 2012: 100%) of the trade receivables that were neither past due nor impaired at 31 December 2012 have good repayment history.

As at 31 December 2012, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of HK$29,470,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of accounts receivables which are past due but not impaired:

	At 31 December 2012 HK$'000	At 31 March 2012 HK$'000
31 to 60 days	**14,377**	–
61 to 90 days	**4,273**	–
Over 90 days	**10,820**	–
	29,470	–

As at 28 February 2013, approximately HK$28,000,000 of the above accounts receivables which are past due but not impaired as at 31 December 2012 has subsequently settled.

As at 31 March 2012, the Group's accounts receivables that were neither past due nor impaired relate to several customers for whom there was no recent history of default.

14. ACCOUNTS PAYABLES

The credit periods is generally ranging from 30 days extending up to 90 days for major suppliers. The ageing analysis of trade accounts payables at the end of the reporting period, based on the invoice date, is as follows:

	At 31 December 2012 HK$'000	At 31 March 2012 HK$'000
30 days or less	**17,655**	71
31 to 60 days	**9,627**	–
61 to 90 days	**3,884**	–
Over 90 days	**11,103**	499
	42,269	570

FINAL DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

From 1 April 2012 to 31 December 2012, the Group recorded a turnover of HK$91,453,000 and a loss attributable to equity holders of the Company of HK$11,796,000, compared to turnover of HK$178,214,000 and loss of HK$62,620,000 for the year from 1 April 2011 to 31 March 2012. Among the loss for the nine months ended 31 December 2012, as Total Ally Holdings Limited ("Total Ally"), an indirect wholly-owned subsidiary of the Company which operated a factory in the PRC has been put under voluntary liquidation since 19 April 2012, a loss of HK$5,062,000 was incurred from the loss of control of Total Ally. Excluding such loss, the loss for the period would amount to HK$6,734,000. Although the results of the Group remained unsatisfactory for the nine months ended 31 December 2012, the loss has been narrowed with the joint effort of the management and all the staff.

Business Development and Transition

Electronic and Electrical Products Trading Business

Under the financial crisis, the import and export of electronic and information products in Mainland China slightly climbed with aggregate import and export of US$1,186,800,000,000 for the year of 2012, representing an increase of 5.1%. The speed of increase dropped 6.4% as compared with last year, 1.1% lower than the growth of the aggregate amount of domestic foreign trading of commodity. As the industry environment in which the Group operates is increasingly harsh, the trading business of electronic and electrical products also encounters enormous difficulties and pressure.

From 1 April 2012 to 31 December 2012, the Group realized a turnover of HK$80,102,000 from electronic and electrical products trading business, decreased by HK$98,112,000 as compared to the year of 1 April 2011 to 31 March 2012. The main reason of the decrease is that turnover of last year included the turnover of HK$69,275,000 realised from Total Ally which was put under voluntary liquidation since April 2012. Due to the increasing difficulties in the Group's electronic and electrical products trading business expansion, the management is striving to open up new business line.

Property Related Materials and Equipment Procurement Business

On 7 May 2012, China Merchants Property Development Co. Ltd. ("CMPD"), has become the controlling shareholder of the Group, providing a strong backup for the Group to explore new ventures. After prudent analysis, the Board considered that the Group has difficulty to resume its profitability if it continues to limit its major operations on electronic and electrical products trading business. In order to improve its financial results, the Group strives to operate the existing trading of electronic and electrical products, as well as fully leverage its own experience on product sourcing, adjusting strategies to extend the business scope to sectors beyond electronics and electrical products. The Group will first seek internal opportunities to tap into other business, to materialize the consolidation and optimization of internal resources so as to enhance the overall operating efficiency and effectiveness of the Group.

The procurement agreement in relation to the sourcing of the electronic and electrical products and building related materials and equipment by 冠華港貿易(深圳)有限公司 (Guan Hua Gang Trading (Shenzhen) Co., Ltd.), a wholly-owned subsidiary of the Company, for CMPD, has been duly approved in the extraordinary general meeting held on 16 November 2012. Subsequent to the approval of such continuing connected transactions, it has contributed HK$12,659,000 turnover to the nine months ended 31 December 2012.

As the property related procurement business smoothly moves ahead, it is beneficial to accumulate abilities and experience related to the property industry, and to enhance the resources synergies with CMPD, the controlling shareholder, to improve the Group's profitability in the future.

Enhancing Management and Risk Control

After CMPD became the controlling shareholder, the Group continues to enhance the management based on carving out from the idle capacity and high operating costs from Total Ally which owns manufacturing business of the Group. The Group commits to strengthen the original businesses through improving the management of operation segments, business plans and cost control, while at the same time establish an effective preliminary control system for carrying on the property related materials and equipment procurement business.

In November 2012, the Group engaged Messrs. Deloitte Touche Tohmatsu to review the internal control system of the Company. The internal control system and the risk control was enhanced accordingly by their constructive advice so as to secure a solid system foundation for future development of the Group.

Outlook and Prospects

Under the background of the continuous implementation of monetary quantitative easing by the United States of America and Japan, the export trading of Mainland China felt the full negative effect. Even it is more difficult to enlarge the electronic and electrical products trading business, the management will still continuously strive to explore new customers. In addition, the Group will focus on enhancing the ability for the property related materials and equipment procurement business, broadening business channels and deepen the understanding of the property industry and accumulating related experience. The Group will continue to explore and develop other business with higher return and more growing potential.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2012, the net assets value of the Group attributable to equity holders of the Company amounted to approximately HK$244,000 (31 March 2012: approximately HK$4,351,000). The reduction has been the combined results of operation loss and loss on loss of control of subsidiaries during the nine months ended 31 December 2012.

As at 31 December 2012, the trade receivable balance was approximately HK$48.3 million (31 March 2012: HK$9.2 million). All trade receivables were on 0 to 30 days credit terms with strict control to minimize credit risks.

The gearing ratio as at 31 December 2012, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, was 32.8 as compared to 46.8 as at 31 March 2012. As at 31 December 2012, the Group's aggregate borrowings were approximately HK$8 million (31 March 2012: HK$203.6 million).

Treasury Policies and Exchange & Other Exposures

The Group's monetary transactions and deposits are mainly in the form of US dollars and Hong Kong dollars and also include a minor percentage of Renminbi. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore had not engaged in any hedging activities.

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 December 2012, the Group had 6 (31 March 2012: 310 employees in Hong Kong and the PRC) employees in Hong Kong. The significant decrease in the number of employees was due to the voluntary liquidation of Total Ally Group on 19 April 2012.

The Group's total expenses on salaries, wages and allowances (including directors' remuneration) for the nine months from 1 April 2012 to 31 December 2012 was approximately HK$3.1 million (for the year from 1 April 2011 to 31 March 2012: HK$18.3 million). Apart from basic salaries and wages, fringe benefits such as contributions to the mandatory provident fund and group medical insurance also offered to the employees. A share option scheme was adopted at the annual general meeting of the Company held on 27 September 2011 (the "2011 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. No grants under the 2011 Share Option Scheme were made during the nine months ended 31 December 2012.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2012, the Group did not have any charges on its property, plant and equipment.

As at 31 March 2012, the Group's land and building with a net carrying amount of approximately HK$179.8 million were pledged to secure other borrowings of the Group amounting to HK$84.9 million. The loans from the ultimate holding company of 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 nine months ended 31 December 2012, 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 nine months ended 31 December 2012, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures above in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the period from 1 April 2012 to 31 December 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE CODE

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

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Up to the date of this announcement, the Board has not appointed an individual to the post of chief executive officer. The roles of the chief executive officer have been performed collectively by all the executive directors, including the chairman of the Company. The Board considers that this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive director of the Company and all the independent non-executive directors do not have specific terms of appointment. However, the non-executive directors are subject to the requirement to retire by rotation at least once every 3 years at annual general meetings under the Company's articles of association. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings, and develop a balanced understanding of the views of shareholders. Ms. Chen Yanping, independent non-executive director, could not attend the annual general meeting held on 28 August 2012 due to other business engagement. Dr. Wong Wing Kuen, Albert and Ms. Chen Yanping, both are independent non-executive director could not attend the extraordinary general meeting held on 16 November 2012 also due to other business engagement. However, there were sufficient executive directors, independent non-executive directors and non-executive director present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

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 of the Company, the Company confirms that all directors of the Company have complied with the required standard set out in the Model Code throughout the nine months ended 31 December 2012.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting (the "Annual General Meeting") of the Company will be held on Friday, 26, April 2013. 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 nine months ended 31 December 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, 8 March 2013

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.