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TONIC

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 2010**

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 year ended 31 March 2010 (the “Year”), together with the comparative figures for the year ended 31 March 2009, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
CONTINUING OPERATION			
Turnover	5	486,237	2,055,805
Cost of sales		<u>(522,321)</u>	<u>(2,064,790)</u>
Gross loss		(36,084)	(8,985)
Other income	6	5,675	37,692
Selling expenses and distribution costs		(1,430)	(3,313)
Administrative expenses		(100,420)	(78,970)
Gains/(losses) on equity investments at fair value through profit or loss		1,094	(1,488)
Provision for impairment of assets	7	(224,832)	(60,697)
Provision against inventories and loss on auctions of sequestrated inventories	7	<u>(426,945)</u>	<u>(10,981)</u>
Loss from operations		(782,942)	(126,742)
Finance costs	8	<u>(22,454)</u>	<u>(25,716)</u>
Loss before tax		(805,396)	(152,458)
Income tax	9	<u>14,982</u>	<u>(140)</u>
Loss for the year from continuing operation		(790,414)	(152,598)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	10	<u>–</u>	<u>(22,289)</u>
Loss for the year attributable to equity holders of the Company	13	<u>(790,414)</u>	<u>(174,887)</u>
Loss per share			
Basic (HK cents per share)	12		
– Continuing operation		<u>(74.7)</u>	<u>(14.4)</u>
– Discontinued operation		<u>–</u>	<u>(2.1)</u>
From continuing and discontinued operations		<u>(74.7)</u>	<u>(16.5)</u>
Diluted (HK cents per share)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	<i>Notes</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the Company	<i>13</i>	<u>(790,414)</u>	<u>(174,887)</u>
Translation differences of foreign operations		283	(1,283)
(Deficit)/surplus on property revaluation		(27,384)	1,177
Deferred tax on property revaluation reserve:			
Deficit/(surplus) on revaluation		6,901	(274)
Change in tax rate		–	7
Release on disposal		<u>624</u>	<u>190</u>
Other comprehensive income for the year, net of tax		<u>(19,576)</u>	<u>(183)</u>
Total comprehensive income for the year, net of tax		<u>(809,990)</u>	<u>(175,070)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		365,775	661,300
Prepaid lease payments		34,270	41,091
Intangible assets		–	10,345
Available-for-sale investments		–	–
Deposits for acquisition of items of property, plant and equipment		–	53
		<u>400,045</u>	<u>712,789</u>
Current assets			
Inventories		1,466	353,832
Accounts and bills receivables	<i>14</i>	831	68,495
Factored accounts receivables	<i>15</i>	–	53,394
Prepayments, deposits and other receivables		935	16,418
Prepaid lease payments		762	909
Equity investments at fair value through profit or loss		–	2,592
Derivative financial instruments		–	382
Current tax assets		1,919	–
Cash and bank balances		30,176	36,758
		<u>36,089</u>	<u>532,780</u>
Current liabilities			
Accounts payables	<i>16</i>	319,210	342,022
Accruals and other payables		82,249	43,548
Borrowings		412,094	337,427
Due to directors		629	–
Current tax liabilities		13,785	21,265
		<u>827,967</u>	<u>744,262</u>
Net current liabilities		<u>(791,878)</u>	<u>(211,482)</u>
Total assets less current liabilities		<u>(391,833)</u>	<u>501,307</u>
Non-current liabilities			
Borrowings		–	61,144
Deferred tax		31,477	53,483
		<u>31,477</u>	<u>114,627</u>
NET (LIABILITIES)/ASSETS		<u>(423,310)</u>	<u>386,680</u>
Capital and reserves			
Share capital		105,789	105,789
Reserves		(529,099)	280,891
TOTAL EQUITY		<u>(423,310)</u>	<u>386,680</u>

NOTES:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309 GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business is Flat K2, Block 2, 2/F., Kaiser Estate, 51 Man Yue Street, Hung Hom, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

In the opinion of the Directors, the holding company and the ultimate holding company of the Group is Success Forever Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

(a) Going Concern

At 31 March 2010, the Group had consolidated net current liabilities of approximately HK\$791,878,000 (2009: HK\$211,482,000) and consolidated net liabilities of approximately HK\$423,310,000 (2009: net assets of approximately HK\$386,680,000). The group incurred a net loss attributable to equity holders of the Company for the year ended 31 March 2010 of approximately HK\$790,414,000 (2009: HK\$174,887,000). During the year ended 31 March 2010 and as at that date, the Group has breached certain terms and defaulted on the repayment of certain banking facilities. As at 31 March 2010, bank borrowings of approximately HK\$169,166,000 became repayable on demand as a result of the breaches.

To address the issues above, the Group has been in discussion and negotiation with banks to explore the possibility of seeking a forbearance of the Group's borrowings and with potential investors to explore the possibility of injecting new funds into the Group through a restructuring proposal. The restructuring proposal (the "Restructuring Proposal") is conditional upon passing of special resolutions (the "Resolutions") by the shareholders of the Company with an extraordinary general meeting to approve the proposed capital reorganisation, the proposed group reorganisation, the proposed creditor scheme and the proposed subscription of new shares (as further disclosed in the circular of Company dated 28 June 2010 and hereinafter referred to as the "Circular") and other conditions precedent further detailed in the Circular. Pursuant to the Resolutions passed on 26 July 2010, the Restructuring Proposal was approved by the shareholders. The remaining conditions precedent will be processed subsequently in accordance with the scheduled working timetable of the Restructuring Proposal. The Restructuring Proposal, if successfully implemented, consists of, among other things, the principal elements as summarised below. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Circular.

(i) Capital Reorganisation

The Company will undergo 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\$0.010 each and the issued share capital of the Company will be reduced to approximately HK\$1,057,889.96 divided into 105,788,996 New Shares of HK\$0.010 each. The Shares will rank pari passu in all respects with each other.

(ii) *Group Reorganisation*

The proposed Group Reorganisation and Creditor Scheme will 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 wholly-owned by the scheme administrators (the “Schemeco”) for the purpose of the Creditor Scheme.

(iii) *Creditor Scheme*

Pursuant to the proposed Creditor Scheme, upon it has become effective, all Claims against the Company will be released and discharged and (i) a cash payment of HK\$80 million (which will be funded by the Company out of the proceeds of the Subscription); (ii) the funds received through the realisation or winding up of the Scheme Subsidiaries after payment of the liabilities of the respective Scheme Subsidiaries; (iii) any funds received through the realisation or holding of 63,473,398 Options Shares, representing approximately 5.94% of the share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Remuneration Shares, and (iv) the balances between the members of Retained Group and Scheme Subsidiaries as at the Effective Date will be subject to certain debt settlement and/or assignment arrangement for the purpose of the Creditor Scheme.

(iv) *Subscription of New Shares*

Pursuant to the Subscription Agreement dated 15 January 2010 as amended by the supplemental subscription agreement dated 24 June 2010, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for 909,785,366 Subscription Shares, representing approximately 85.15% of the share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Remuneration Shares, at par value of HK\$0.010 each at a Subscription Price of approximately HK\$0.0879 per Subscription Share, resulting in the cash consideration of HK\$80 million.

The financial statements have been prepared on the basis that the Restructuring Proposal of the Company will be implemented in accordance with its terms and the Group will be able to improve its financial position and business upon completion of the proposed restructuring. As at the approval date of these financial statements, subject to the fulfillment of conditions precedent as described in the Circular, the Directors are not aware of any circumstances or reasons that would likely affect the implementation of the Restructuring Proposal. In light of the foregoing, the Directors opined that it is appropriate to prepare with the financial statements on a going concern basis. The financial statements do not incorporate any adjustments for possible failure of the above-mentioned Restructuring Proposal and the continuance of the Group as a going concern.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, and to provide for any further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the financial statements for the year ended 31 March 2010 and as at that date.

(b) Possible outcome of outstanding litigations

Certain subsidiaries of the Company are or have been involved in litigations in respect of goods sold and services delivered, trade and other payables to third parties. The Directors determine the provision for litigations based on their best estimates and legal advices. However, with the litigations still ongoing up to the approval date of these financial statements, it is not possible to ascertain with any degree of reasonable certainty the outcome of those litigations and the existence or otherwise of any compensation payable should the related defense become unsuccessful, and the completeness of any other lawsuits and claims arose. There is a material uncertainty as to whether the above actions can be successfully defended and accordingly, there may be a potential significant impact on the financial performance and position of the Group.

Any adjustment arising from the matters described above might have a significant consequential effect on the Group's results and financial position for the year ended 31 March 2010 and related disclosures thereof in the financial statements.

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

During the 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 2009. 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.

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement, the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Operating Segments

HKFRS 8 "Operating Segments" 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 the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

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 has had two reportable segments which are the electronic products and components segment and the home appliance products segment. The business of the home appliance products was discontinued during the prior year. In the current year, the Group retains a reportable segment which is design, manufacture, and sale of electronic products and components segment.

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, gains or losses from investments and derivative financial instruments, finance costs, income tax and unallocated corporate income and expenses. Segment assets do not include available-for-sale investments, loans receivables, equity investments at fair value through profit and loss, derivative financial instruments, tax assets, cash and bank balances, and other unallocated corporate assets. Segment liabilities do not include borrowings, amounts due to directors, derivative financial instruments, tax liabilities and unallocated corporate liabilities. Segment non-current assets do not include financial instruments and tax assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were made to third parties, i.e. at current market prices.

	Electronic products and components <i>HK\$'000</i>
Year ended 31 March 2010	
Revenue from external customers	486,237
Segment losses	783,180
Interest revenue	71
Interest expense	22,454
Other material items of income and expense:	
Gains on equity at fair value through profit or loss	1,094
Depreciation and amortisation	6,396
Income tax	14,982
Other material non-cash item:	
Provision against inventories and loss on auctions of sequestered inventories	426,945
Additions to segment non-current assets	23,687
At 31 March 2010	
Segment assets	404,039
Segment liabilities	<u>401,450</u>

	Home appliance products (Discontinued operation) <i>HK\$'000</i>	Electronic products and components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2009			
Revenue from external customers	340,198	2,055,805	2,396,003
Segment losses	21,741	126,425	148,166
Interest revenue	–	174	174
Interest expense	239	25,716	25,955
Other material items of income and expense:			
Losses on equity at fair value through profit or loss	–	1,488	1,488
Surplus on revaluation recognised directly in equity	–	1,177	1,177
Depreciation and amortisation	1,743	73,757	75,500
Income tax	309	140	449
Other material non-cash items:			
Provision against inventories	6,745	4,236	10,981
Provision for impairment of assets	5,098	60,697	65,795
Additions to segment non-current assets	626	19,508	20,134
At 31 March 2009			
Segment assets	11,971	1,193,866	1,205,837
Segment liabilities	9,043	376,518	385,561

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		
Total turnover of reportable segments disclosed as consolidated turnover from continuing and discontinued operations	<u>486,237</u>	<u>2,396,003</u>
Profit or loss		
Total loss of reportable segments	(783,180)	(148,166)
Other profit and loss	<u>(7,234)</u>	<u>(26,721)</u>
Consolidated loss	<u>(790,414)</u>	<u>(174,887)</u>
Assets		
Total assets of reportable segments	404,039	1,205,837
Other assets	<u>32,095</u>	<u>39,732</u>
Consolidated total assets	<u>436,134</u>	<u>1,245,569</u>
Liabilities		
Total liabilities of reportable segments	401,450	385,561
Other liabilities	<u>457,994</u>	<u>473,328</u>
Consolidated total liabilities	<u>859,444</u>	<u>858,889</u>

Geographical information:

	Revenue	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		
Americas	128,545	1,447,920
Europe	67,663	326,538
Asia Pacific countries	287,693	548,722
Others	2,336	72,823
Discontinued operation	–	(340,198)
	<hr/>	<hr/>
Consolidated total	486,237	2,055,805

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 Asia Pacific Countries.

5. TURNOVER

The Group's turnover is analysed as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Manufacture and sale of electronic products and components attributable to continuing operation	486,237	2,055,805
Manufacture and sale of home appliance products attributable to discontinued operation (<i>note 10</i>)	–	340,198
	<hr/>	<hr/>
	486,237	2,396,003

6. OTHER INCOME

The Group's other income from continuing operation (discontinued operation: HK\$nil) is analysed as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Bank interest income	71	174
Dividend income from listed investments	167	143
Foreign exchange differences, net	–	9
Gain on disposal of items of property, plant and equipment	–	29,886
Sales of scrap materials and raw materials	–	7,287
Sundry income	5,437	193
	<hr/>	<hr/>
	5,675	37,692

7. LOSS FOR THE YEAR

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost of inventories sold	522,321	2,404,936
Provision against inventories:		
Continuing operation	270,945	4,236
Discontinued operation	–	6,745
Loss on auctions of sequestered inventories:		
Continuing operation – <i>note (a)</i>	156,000	–
	426,945	10,981
Gains on derivative financial instruments		
– forward currency contracts, net	(464)	(382)
Depreciation	40,452	66,813
Amortisation of software development costs##	55	75
Amortisation of trademark##	–	282
Amortisation of prepaid land lease payments	764	981
Research and development costs:		
Deferred development costs amortised##	5,577	8,330
Current year expenditure	123	2,115
	5,700	10,445
Minimum lease payments under operating leases on land and buildings	524	3,771
Auditors' remuneration	570	1,180
Employee benefits expense (including directors' remuneration):		
Wages and salaries	79,828	160,378
Pension scheme contributions	819	2,386
<i>Less: Forfeited contributions###</i>	–	–
	80,647	162,764
Provision for impairment of assets:		
Continuing operation:		
Impairment of items of property, plant and equipment – <i>note (b)</i>	156,268	37,409
Impairment of deposits for acquisition of items of property, plant and equipment	53	–
Impairment of intangible assets	4,713	7,551
Impairment of accounts receivables	32,710	10,179
Impairment of factored accounts receivables	19,691	–
Impairment of deposits and other receivables	10,799	5,558
Impairment of prepaid land lease payments	598	–
	224,832	60,697
Discontinued operation:		
Impairment of items of property, plant and equipment	–	5,098
	224,832	65,795
Loss/(gain) on disposal of items of property, plant and equipment	43,083	(29,886)

Notes:

- (a) Due to adverse impact of the down-sizing of the operations and the resultant immense pressure on the cash flow of the Group, the Group had delayed salary payments to certain of its workers and staff during the year. In November 2009, actions have been taken by 東莞市塘廈鎮石潭埔社區居民委員會 (“Dongguan Tangxia Town Shitanpu Community Residents’ Committee”) and 東莞市塘廈鎮石潭埔勞動服務站 (“Dongguan Tangxia Town Shitanpu Labour Service Station”) to sequester certain of the Group’s assets (collectively “Sequestered Assets”) located in the Tangxia Factory with the carrying amounts of approximately HK\$21,048,000 for equipment and machines (which was included in the aggregate amounts of property, plant and equipment disposals as disclosed above for the year) and approximately HK\$160,196,000 for inventories respectively.

The auctions of these Sequestered Assets had subsequently been held from 2 December 2009 to 13 December 2009. The proceeds of approximately HK\$15,876,000 for equipment and machines, and approximately HK\$4,196,000 for inventories from the auctions were fully used to settle part of the salary and compensation payables to the respective workers and staff working in the Tangxia Factory. The resultant losses of approximately HK\$161,172,000, in aggregate, on auctions of Sequestered Assets, approximately HK\$5,172,000 for equipment and machines, and approximately HK\$156,000,000 for inventories respectively, representing the difference between the net proceeds and the net carrying amounts of the Sequestered Assets, were recognised and charged to the consolidated income statement for the year ended 31 March 2010.

- (b) During the current year, the Group has experienced rapid and continuing deterioration in its business due to the drastic decline in turnover, customers’ purchase orders, production scale and customer confidence as a consequence of the financial turmoil. With a view to further reduce costs and to mitigate the loss-making position of the Group, the Group has suspended and closed down the remaining operations of the manufacturing plants in Qi Shi Town and Tangxia Town, Dongguan, PRC. In light of the changes in economic conditions, the Directors considered that certain items of the property, plant and equipment of the Group, with the carrying amounts of HK\$156,268,000, were impaired, and the resultant impairment losses with the equivalent amounts were recognised and charged to the consolidated income statement during the year.

The disclosures presented in this note include those amounts in relation to the discontinued operation.

The amortisation of software development costs, trademarks, and the deferred development costs for the year are included in “Selling 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.

8. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on:		
Bank and other borrowings wholly repayable within five years	22,337	25,361
Finance leases	117	594
	<u>22,454</u>	<u>25,955</u>
Attributable to:		
Continuing operation	22,454	25,716
Discontinued operation (<i>note 10</i>)	–	239
	<u>22,454</u>	<u>25,955</u>

9. INCOME TAX

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	3,113
Overprovision in prior year	(904)	(1,393)
Current – Mainland China		
Charge for the year	410	1,142
Deferred tax	(14,488)	(2,722)
	<u>(14,982)</u>	<u>140</u>

Hong Kong profits tax is provided at a rate of 16.5% (2009: 16.5%) based on assessable profit for the year less allowable losses brought forward. Certain allowable losses of the Company's subsidiaries incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department. Tax charge on profits assessable in the PRC have been calculated at the rates of tax prevailing in the PRC, based on existing legislation, interpretation and practices in respect thereof.

During the year, the Inland Revenue Department initiated tax queries on four subsidiaries 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. After consulting with professional advisors, the management is of the opinion that the existing provisions are adequate.

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Loss before tax:		
From continuing operation	(805,396)	(152,458)
From discontinued operation	–	(21,980)
	(805,396)	(174,438)
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	(132,891)	(28,782)
Effect of different tax rates of subsidiaries	(26,406)	(5,909)
Effect of change in tax rate	–	(159)
Loss not subject to tax, due to concession	–	326
Adjustments in respect of current tax of previous year	(904)	(1,393)
Income not subject to tax	(226)	(67)
Expenses not deductible for tax	103,977	12,606
Tax losses utilised from previous periods	(300)	–
Tax losses not recognised	41,492	22,832
Others	276	995
Tax at the Group's effective rate	(14,982)	449
Tax attributable to:		
Continuing operation	(14,982)	140
Discontinued operation (<i>note 10</i>)	–	309
	(14,982)	449

10. DISCONTINUED OPERATION

On 28 December 2008, the Group discontinued its home appliances products division, which is a major line of business and is part of the Mainland China and Hong Kong operation. The Group had decided to cease its home appliances products business because it plans to focus its resources on electronic products and components business.

The results of home appliances products business during the prior period were presented below:

	Year ended 31 March 2010 <i>HK\$'000</i>	Period ended 28 December 2008 <i>HK\$'000</i>
Turnover	–	340,198
Cost of sales	–	(340,146)
Expenses	–	(9,950)
Impairment of items of property, plant and equipment	–	(5,098)
Provision against inventories	–	(6,745)
Finance costs	–	(239)
Loss before tax from discontinued operation	–	(21,980)
Income tax	–	(309)
Loss for the period from discontinued operation	–	(22,289)

The net cash outflow incurred by home appliances products business during the prior period was as follows:

	Year ended 31 March 2010 HK\$'000	Period ended 28 December 2009 HK\$'000
Operating activities	–	1,547
Investing activities	–	417
Financing activities	–	3,097
	<hr/>	<hr/>
Net cash outflow	–	5,061
	<hr/>	<hr/>

11. DIVIDEND

No dividend has been proposed or declared by the Company during the two years ended 31 March 2010 and 2009.

12. LOSS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK\$790,414,000 (2009: HK\$174,887,000) and the weighted average number of 1,057,889,962 (2009: 1,057,889,962) ordinary shares in issue during the year.

(b) From continuing operation

The calculation of basic loss per share from continuing operation attributable to equity holders of the Company is based on the loss for the year from continuing operation attributable to equity holders of the Company of approximately HK\$790,414,000 (2009: HK\$152,598,000) and the denominator for number of shares in issue is the same as that detailed above for basic loss per share from continuing and discontinued operations.

(c) From discontinued operation

Basic loss per share from the discontinued operation for the prior year was HK2.1 cents per share based on the loss for the prior year from discontinued operation attributable to the equity holders of the Company of approximately HK\$22,289,000 and the denominator for number of shares in issue is the same as those detailed above for basic loss per share from continuing and discontinued operations.

No diluted loss per share is presented as the Company has not had any dilutive potential ordinary shares during the two years ended 31 March 2010 and 2009.

13. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS

The consolidated loss attributable to equity holders of the Company includes a loss of approximately HK\$428,402,000 (2009: HK\$597,000) for the year, which has been dealt with in the financial statements of the Company.

14. ACCOUNTS AND BILLS RECEIVABLES

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivables	33,541	78,674
Less: Impairments (<i>note 7</i>)	(32,710)	(10,179)
	<u>831</u>	<u>68,495</u>

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. In view of the aforementioned and the fact that the Group's accounts and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
30 days or less	831	45,221
31 to 60 days	–	7,948
61 to 90 days	–	11,192
Over 90 days	–	4,134
	<u>831</u>	<u>68,495</u>

The Group's accounts and bills receivables are non interest-bearing and their carrying amounts approximate to their amortised costs.

Included in the provision for impairment of accounts and bills receivables are individually impaired accounts receivables of HK\$32,710,000 (2009: HK\$10,179,000) with an equivalent gross carrying amount at the end of the reporting period. The individually impaired accounts receivables relate to customers that were in default of payment. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the Group's accounts and bills receivables at the end of the reporting period that are not considered to be impaired is as follows:

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	831	62,878
Less than 30 days	–	2,321
30 to 90 days past due	–	2,494
Over 90 days past due	–	802
	<u>831</u>	<u>68,495</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

15. FACTORED ACCOUNTS RECEIVABLES

	Group	
	2010	2009
	HK\$'000	HK\$'000
Factored accounts receivables	19,691	53,394
Less: Impairments (<i>note 7</i>)	(19,691)	–
	<u>–</u>	<u>53,394</u>

At 31 March 2010, the Group factored trade receivables of HK\$19,691,000 (2009: HK\$53,394,000), to banks on a non-recourse basis for cash. The Group continued to recognise the factored accounts receivables in the consolidated statement of financial position because, in the opinion of the Directors, the Group still retained the risks and rewards of ownership associated with the accounts receivables and the financial assets derecognition conditions as stipulated in HKAS 39 Financial Instruments: Recognition and Measurement have not been fulfilled. Accordingly, bank factored loans of the Group's accounts receivables have been accounted for as liabilities in the consolidated statement of financial position. These factoring facilities were secured by a corporate guarantee granted by the Company, cross-corporate guarantees granted by certain subsidiaries and the Company. The maturity date of the factored accounts receivables range from 60 to 90 days.

The aging analysis of factored accounts receivables at the end of the reporting period is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
30 days or less	–	23,493
31 to 60 days	–	7,276
61 to 90 days	–	12,993
Over 90 days	–	9,632
	<u>–</u>	<u>53,394</u>

There was a provision for individually impaired factored accounts receivables of HK\$19,691,000 with an equivalent gross carrying amount at 31 March 2010. The individually impaired factored accounts receivables relate to customers that were in default of payment. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the Group's factored accounts receivables at the end of the reporting period that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Neither past due nor impaired	–	43,763
Less than 30 days	–	6,995
30 to 90 days past due	–	–
Over 90 days past due	–	2,636
	<u>–</u>	<u>53,394</u>

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	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
30 days or less	134	123,488
31 to 60 days	–	24,509
61 to 90 days	225	7,346
Over 90 days	318,851	186,679
	<hr/>	<hr/>
	319,210	342,022
	<hr/>	<hr/>

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are recent development on the Group's financial restructuring and outstanding litigations, and the details of which are stated in note 2 and page 23 to this announcement, respectively.

18. 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 the financial statements 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.

In addition, the provision against inventories and loss on auctions of sequestered inventories, which was included in cost of sales in prior year, has been separately disclosed on the face of the consolidated income statement. Accordingly, the related comparative figure has been reclassified to conform to the current year's presentation. As the Directors consider that the new classification of the accounting item is more appropriate to reflect the financial results of the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

Basis for Disclaimer of Opinion

1. *Scope limitation – opening inventories*

Because we were appointed as auditors of the Group subsequent to the end of its last reporting period at 31 March 2009, we were unable to attend the Group's physical count of inventories as at that date. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the opening inventories of approximately HK\$353,832,000. Since opening inventories enter into the determination of the Group's results, any adjustments to the figures might have significant consequential effects on the Group's results for the year ended 31 March 2010, the related opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. *Material uncertainties relating to possible outcome of outstanding litigations and the going concern basis*

In forming our opinion, we have considered the adequacy of the disclosures made in note 45 to the financial statements concerning the outcome of the lawsuits and claims against certain subsidiaries of the Company which remained outstanding at 31 March 2010. The Group has been in discussion and negotiation with certain plaintiffs to reach an accommodation with the claimants and to explore the possibility of seeking a forbearance of the Group's payables. Apart from that, the Directors, based on their best estimates and legal advices, are of the view that several defendants have valid grounds for defending the claims made by the plaintiffs. However, with the litigations still ongoing up to the approval date of these financial statements, it is not possible to ascertain with any degree of reasonable certainty the outcome of those litigations and the existence or otherwise of any compensation payable should the related defense become unsuccessful, and the completeness of any other lawsuits and claims arose against the concerned subsidiaries of the Company. We consider that appropriate disclosures have been made, but, there is a material uncertainty as to whether the above actions can be successfully defended and accordingly, there may be a potential significant impact on the financial performance and position of the Group for the year ended 31 March 2010.

We have also considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The Company has entered into a conditional arrangement with, among others, certain investors for the purpose of restructuring of the Group's indebtedness and revitalising the Group's business. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the measures to be implemented and in process by the Group to improve the financial position and business of the Group. The financial statements do not include any adjustments that would result from the failure of these measures. We consider that appropriate disclosures have been made, but, because of the significant uncertainties relating to the outcome of the restructuring proposal are so extreme, we are unable to determine whether the going concern basis used in preparing the financial statements are appropriate.

In view of the extent and potential impacts of the material uncertainties as described above, we disclaim our opinion on the financial statements for the year ended 31 March 2010.

Disclaimer of Opinion: Disclaimer on View Given by the Financial Statements

Because of the significance of the scope limitation and the material uncertainties relating to the possible outcome of litigations and going concern basis as described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's results and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BUSINESS REVIEW

The Group recorded a turnover from continuing operations of approximately HK\$486 million and a loss attributable to equity holders of the Company of HK\$790 million for the year ended 31 March 2010, compared to HK\$2,056 million, and HK\$175 million, respectively for the previous year.

Facing the most severe global and financial crisis in history, many of the Group's customers and markets were adversely affected. The global economic downturn has resulted in the demand for the Group's products in the US and European markets subsided substantially during the Year. With a relatively robust domestic economy in China, the Group has taken responsive steps to rationalise operations and change its focus to supplying to Chinese customers.

As a result of the severe financial crisis, the global financial sector has been particularly hard hit. The result had been a substantial contraction of the credit facilities available to the Group. The adverse conditions in the equity capital markets have resulted in the share price of the Company remaining depressed and numerous attempts to raise equity capital from the market had not been successful.

Management and colleagues have worked hard to contain the damages to the operations and assets of the Group in the face of the difficult operating environment. The Management has taken steps to impose strict cost saving measures to ensure the remaining operations of the Group are conducted in the most cost effective manner.

Certain production capacity has been suspended since 2009 with a view to control expenses. Naturally, as a result of such reorganisation of production, costs of approximately HK\$8 million were incurred to compensate employees who were made redundant.

The Group has substantially reduced the level of borrowings during the last few years to ensure the continued viability of the Group. However, due to the substantial limitations to the production scale of the Group and the pressure on cashflows, financial institutions providing facilities to the Group has ceased their financial support and demanded repayment of borrowings. The financial condition of the Group became severely stressed and the Board took immediate steps to identify investors and restructure the Group's financial position.

The Group Reorganisation and Creditor Scheme

As stated in the interim report of the Company for the six months ended 30 September 2009, the Group continued to be affected by the looming global financial crisis. Sales of the Group for the six months ended 30 September 2009, especially export sales to markets in Europe and Americas plunged by approximately 82% and working capital pressure increased against the credit crunch. In addition, the United States government stopped subsidizing consumers in purchasing digital set top boxes which further dampened sales of set top boxes to the market. The Group has decided to consolidate and streamline its businesses while scaling down its operations in particular its exports sales, in order to alleviate the financial difficulties of the Group. As disclosed in the announcement of the Company dated 10 January 2010, with a view to further reducing costs and mitigating the loss-making position of the Group, the Group has suspended the operations of some of its factories in Qi Shi and Tangxia in the PRC since March 2009 and December 2009 respectively. Due to the immense pressure on the cash flow of the Group, the Group has delayed salary payment to certain workers and staff of the Group.

While the Company has been engaging in discussions with its banks to explore the possibility of seeking a forbearance of the Group's banking facilities with a view to strengthening the Group's overall cash flow position, the Company has also considered the necessity of fund raising exercises that may be able to relieve the immediate liquidity problem of the Group. After arm's length negotiations between the Company and the Subscriber, the Subscriber has conditionally agreed to subscribe for the Subscription Shares and the Company intends that the existing indebtedness of the Company shall be restructured by way of the Creditor Scheme.

The Board considers that the Group Reorganisation and the Creditor Scheme will enable the Group to deal with its indebtedness in a formal and orderly manner so that, so far as the Company is concerned, all of the Company's indebtedness and liabilities (actual and contingent) will be released and discharged, which is in the interests of the Company and the Shareholders as a whole.

PROSPECTS

With the introduction of the Investor and the successful completion of the Restructuring, the Board believe that the Group would be restored to a healthy financial position and is expected to restart new business initiatives and pursue new business development opportunities.

The Board shall continue to work with the Investor in managing the operations of the Group and every effort shall be put to continue to control costs, develop new opportunities and restructure non-core assets of the Group with a view to improve returns to shareholders.

FINAL DIVIDEND

The Board does not recommend payment of a final cash dividend in respect of the year ended 31 March 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Development

The Group will focus on domestic market and continue to develop high-end set top boxes. It will also develop its own brand electric products and sell them to rural households.

Liquidity and Financial Resources

At 31 March 2010, the net liability value of the Group attributable to equity holders of the Company amounted to approximately HK\$423 million (2009: net asset value of approximately HK\$387 million), including cash and bank balances of approximately HK\$30 million (2009: approximately HK\$37 million) which were denominated mainly in Hong Kong dollars.

The trade receivable balance at 31 March 2010 was approximately HK\$1 million (2009: approximately HK\$122 million), including factored accounts receivables of HK\$nil (2009: approximately HK\$53 million). Except the factored accounts receivables with credit insurance cover, all other trade receivables were on letter of credit.

At 31 March 2010, the Group's aggregate borrowings was approximately HK\$412 million (2009: approximately HK\$399 million), which represents bank borrowings of approximately HK\$286 million, other borrowings of approximately HK\$123 million and obligations under finance leases of approximately HK\$3 million. The Group's borrowings are denominated in Hong Kong dollars and Renminbi which bear interest mainly determined on market interest rate basis. The Group has a net deficiency in capital at 31 March 2010, gearing ratio is not applicable as at that date (2009: gearing ratio of 94%, calculated based on net borrowings over shareholder funds).

The Group is not exposed to any material currency fluctuation risks, as most of its receivables as well as payables are in US dollars. The Group has natural hedges against currency risks and adheres to the policy of not engaging in speculative activities. In addition, the Group's Renminbi receipts from domestic sales could offset Renminbi expenses of factories in the PRC.

Litigations

Up to the date of this announcement, a number of lawsuits and claims were lodged against certain subsidiaries of the Group which remain outstanding as follows:

(a) *Gold Beam Development Limited (“GB”)*

- (i) On 16 November 2009, Fung Shing Steel Company Limited issued a writ of summons in the District Court of Hong Kong against a direct wholly-owned subsidiary of the Company, namely GB, in respect of goods sold and delivered in the amount of HK\$429,365. GB is currently preparing the defense.
- (ii) On 2 March 2010, Wang Fa Steel Company Limited issued a writ of summons in the District Court of Hong Kong against GB in respect of a debt in the amount of HK\$95,866 together with interest and costs. Pleadings closed on 14 May 2010.

(b) *Technotrend Trading Limited*

On 23 November 2009, Technotrend Trading Limited, an indirect wholly-owned subsidiary of the Company, issued a writ of summons in the High Court of Hong Kong against the former customer Technotrend GmbH for goods sold and delivered in the sum of US\$2,541,464 (approximately HK\$19,691,265) together with interest and costs. The case is in the stage of service of the Writ Summons against Technotrend GmbH.

(c) *Tonic Digital Products Limited (“TDPL”)*

On 29 January 2010, Victor Company of Japan Ltd. (“JVC”) issued a summons in the United States District Court, Southern District of New York against TDPL, an indirect wholly-owned subsidiary of the Company, in respect of breach of the settlement agreement between JVC and TDPL dated 1 January 2008 in the amount of Japanese Yen 58,592,400 (approximately HK\$5,097,539) and damages by reason of TDPL’s unauthorised use and infringement of JVC’s trademark rights in the VHS logo and infringement of JVC’s patent rights in the VHS recorder patents. The summons has been served on TDPL.

(d) *Tonic Electronics Limited (“TEL”)*

- (i) On 12 September 2009, Super Victory Enterprises Limited issued a writ of summons in the District Court of Hong Kong against an indirect wholly-owned subsidiary of the Company, namely TEL, in respect of goods sold and delivered in the amount of US\$85,988 (approximately HK\$666,231) together with interest and costs. TEL is currently preparing the defense.
- (ii) On 13 November 2009, Stmicroelectronics Asia Pacific PTE Limited issued a writ of summons in the High Court of Hong Kong against TEL in respect of goods sold and delivered in amount of US\$279,742 (approximately HK\$2,167,439) together with interest and costs. TEL is currently preparing the defense.

- (iii) On 30 November 2009, Skytech (Hong Kong) Limited issued a writ of summons in the High Court of Hong Kong against TEL in respect of goods sold and delivered in the amount of HK\$1,122,861 together with interest and costs. Judgment against TEL was obtained on 1 February 2010. Enforcement of judgment is yet to be made.
- (iv) On 27 November 2009, Lucky Harvest (HK) Company Limited issued a writ of summons in the High Court of Hong Kong against TEL in respect of goods sold and delivered in the amount of HK\$1,121,066 together with interest and costs. TEL is currently preparing the defense.
- (v) On 11 January 2010, Edal Electronics Company Limited issued a writ of summon in the District Court of Hong Kong against TEL in respect of goods sold and delivered in the amount of HK\$232,280 together with interest and costs. TEL has filed a defense on 22 March 2010.
- (vi) On 2 February 2010, Strategic Financial Relations Limited issued a writ of summon in the District Court of Hong Kong against TEL in respect of a debt in the amount of HK\$126,358 for public relations consultancy services rendered. Pleadings closed on 15 April 2010 and documents have been filed for discovery.
- (vii) On 5 February 2010, Sai Hing Plastic Bags Factory (Hong Kong) Limited issued a writ of summon in the District Court of Hong Kong against TEL in respect of a contract sum in the amount of HK\$462,310 together with interest and costs and HK\$345,525 together with interest and costs. Pleadings closed on 17 May 2010.
- (viii) On 28 April 2010, a winding up petition was filed against TEL by an ex-employee of TEL claiming for payment in the aggregate sum of HK\$1,235,811 together with interest thereon from TEL as stated in the award obtained by Ng Hing Wing and other ex-employees against TEL on 26 January 2010. The unsettled amounts of HK\$1,235,811 are yet to be paid and were fully accrued in other payables at 31 March 2010. Subsequently, TEL was wound up by the High Court of Hong Kong on 30 June 2010. 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 the same date.
- (ix) On 14 May 2010, 深圳市長橋凱達貨運有限公司 (Shenzhen Changqiao Kaida Cargo Company Limited) issued a writ of summon in the District Court of Hong Kong against TEL, in respect of transportation services in the amount of RMB876,596 (approximately HK\$994,060) together with interest and costs.

(e) *TEL and GB*

On 21 June 2010, Fung Shing Steel Company Limited issued a writ of summon in the District Court of Hong Kong against TEL and GB, in respect of debt in the amount of HK\$329,365 together with interest and costs. This dispute is at preliminary stage, and the Group will prepare the defense accordingly.

(f) *TEL and Tonic Digital Products Limited (“TDPL”)*

- (i) On 11 November 2008, Thomson Hong Kong Holdings Limited (“Plaintiff”), a former customer of the Company, filed a writ of summons with the High Court of Hong Kong against the Company and two of its indirect wholly-owned subsidiaries namely, TEL and TDPL (collectively known as the “Defendants”), in respect of disputes relating, inter alia, goods returned for refund by Plaintiff, claiming damages in the sum of US\$4,289,664 (approximately HK\$33,244,897) together with interest and costs. The Defendants filed Defense and Counterclaim and the Plaintiff filed Reply and Defense to Counterclaim on 17 March 2009. The claims of the Plaintiff relate, inter alia, to refund of the purchase price of goods sold and delivered by TDPL to the Plaintiff. Based on the case pleaded by the Plaintiff and the information now available to the Defendants, the Defendants have a defense with merits to such claim. The parties are attempting to resolve interlocutory matters before the trial date for the case is fixed.
- (ii) On 24 August 2009, TEL and TDPL issued a writ of summons in the High Court of Hong Kong against a former customer Alco Holdings Limited for goods sold and delivered in the sum of US\$820,912 (approximately HK\$6,360,427) for TEL and US\$288,977 (approximately HK\$2,238,994) for TDPL. The action is in the preliminary stage with exchange of documents in progress.
- (iii) On 14 September 2009, Multimedia Devices Limited issued a writ of summons in the High Court of Hong Kong against TEL and TDPL in respect of returned goods in the amount of US\$1,167,598 (approximately HK\$9,046,556) for TEL and US\$213,147 (approximately HK\$1,651,461) for TDPL. TEL and TDPL are currently preparing the defense.

(g) *TEL and Tonic Trading Development Limited (“TTDL”)*

On 14 August 2009, J.C. Electronics Co. Limited issued a writ of summons in the High Court of Hong Kong against two indirect wholly-owned subsidiaries of the Company, namely TEL and TTDL respectively, regarding goods sold and delivered in the amount of HK\$10,541,664 together and HK\$4,743,444 together with interest and costs respectively. Defense was filed and the actions are still in preliminary stage and so it is too early to evaluate the probable outcome.

(h) *Tonic Trading Development Limited (“TTDL”)*

- (i) On 20 November 2009, Max Components Limited issued a writ of summons in the District Court of Hong Kong against an indirect wholly-owned subsidiary of the Company, namely TTDL, in respect of goods sold and delivered in the amount of US\$56,346 (approximately HK\$436,571). TTDL is currently preparing the defense.
- (ii) On 27 November 2009, Skytec (Hong Kong) Limited issued a writ of summons in the District Court of Hong Kong against TTDL in respect of goods sold and delivered in the amount of HK\$938,099 together with interests and costs. TTDL had filed the defense on 14 January 2010.

(iii) On 11 January 2010, Edal Electronics Company Limited issued a writ of summon in the District Court of Hong Kong against TTDL in respect of goods sold and delivered in the amount of HK\$442,926 together with interest and costs. TTDL has filed the defense on 22 March 2010.

(i) *Tonic Technology Limited (“TTL”)*

(i) On 9 December 2009, Yan Hsin Da Electronics Limited issued a writ of summons in the District Court of Hong Kong against a direct wholly-owned subsidiary of the Company, namely TTL, in respect of goods sold and delivered in the amount of US\$31,396 (approximately HK\$243,316) together with interest and costs. TTL is currently preparing the defense.

(ii) On 10 February 2010, D-Plus Limited filed the form of claim in the Small Claims Tribunal against TTL in respect of goods supplied in the amount of HK\$50,000 together with interest and costs. Order against TTL was obtained on 15 March 2010.

(j) *Dongguan Tonic Electronic Co., Ltd. (“Dongguan TEL”) and TEL*

Civil petitions

On 20 October 2009, 深圳市晶峰科技開發有限公司 (Shenzhen Jingfeng Technology Development Co., Ltd.*) lodged a civil petition with the Third People’s Court of Dongguan City, Guangdong Province against TEL and Dongguan TEL (matter number: (2009) 東三民四初字第621號) seeking a judgment on the outstanding sum of RMB1,571,852 together with interests thereon in respect of good supplied and cost of legal proceedings. Two buildings of Dongguan TEL in Dongguan have been sequestered.

(k) *Dongguan TEL*

Judgments

(i) On 14 December 2009, the Third People’s Court of Dongguan City, Guangdong Province issued a judgment (document number: (2009)東三法民二初字第2231號) ordering Dongguan TEL to repay 奇燁電子(東莞)有限公司 (Qiyue Electronic (Dongguan) Company Limited*) a sum of RMB455,165.88 together with interest thereon in relation to the outstanding payment for goods sold and delivered and the court fees of RMB4,078. Dongguan TEL has not settled the payment within the prescribed time period but the parties has entered into a mediation agreement on 1 June 2010 pursuant to which Dongguan TEL shall settle repay the sum of RMB455,165.88 together with interest of RMB36,322 and the legal cost of RMB4,078 to 奇燁電子(東莞)有限公司 (Qiyue Electronic (Dongguan) Company Limited*) by 31 August 2010.

- (ii) On 11 May 2010, the Third People's Court of Dongguan City, Guangdong Province issued a judgment (document number: (2009)東三法民二初字第2733號) ordering Dongguan TEL to repay 東莞市國貿水電安裝工程有限公司 (Dongguan City Guomao Plumbing and Electrical Company Limited*) a sum of RMB 9,800,000 together with the interest thereon and the legal cost of RMB46,860 within 15 days from the date of judgment. The payment has not been settled by Dongguan TEL within the prescribed time period. Dongguan TEL is in negotiations with 東莞市國貿水電安裝工程有限公司 (Dongguan City Guomao Plumbing and Electrical Company Limited*) to postpone the making of payment.

Civil petitions

- (iii) On 24 November 2009, 倪列松 (Ni Lie Song*) lodged a civil petition with the Third People's Court of Dongguan City, Guangdong Province against Dongguan TEL seeking a judgment on an outstanding sum of RMB588,475.82 together with interest thereon in relation to the goods supplied by 興業電子工具行 (Xing Ye Electronic Company Limited*) to Dongguan TEL.
- (iv) On 8 December 2009, 高新錫業(惠州)有限公司 (Gaoxin Tin (Huizhou) Company Limited*) lodged a civil petition with the Third People's Court of Dongguan City, Guangdong Province against Dongguan TEL seeking a judgment on an outstanding sum of RMB1,915,893 together with interest thereon in relation to the goods supplied.

Civil mediation agreements

- (v) On 10 December 2009, through the mediation of the Third People's Court of Dongguan City, Guangdong Province, 東莞市添寶電子有限公司 (Dongguan City Tianbao Electronic Company Limited*) and Dongguan TEL reached a civil mediation agreement (document number: (2009)東三法民二初字第2714號) pursuant to which an outstanding sum of RMB120,713 in relation to the goods sold and delivered shall be settled by Dongguan TEL in six monthly installments commencing on 20 January 2010 with the last installment and costs of hearing to be made on or before 20 June 2010. The payment has not been settled by Dongguan TEL within the prescribed time period. Dongguan TEL is in negotiations with 東莞市添寶電子有限公司 (Dongguan City Tianbao Electronic Company Limited*) to postpone the making of payment.
- (vi) On 11 March 2010, through the mediation of the Third People's Court of Dongguan City, Guangdong Province, 上海全毅快遞有限公司東莞分公司 (Shanghai Quanyi Courier Services Company Limited*, Dongguan Branch) and Dongguan TEL reached a civil mediation agreement (document number: (2010)東三法民二初字第78號) pursuant to which Dongguan TEL shall repay the outstanding courier fees of RMB11,971 and costs of hearing in the sum of RMB50 on or before 30 May 2010. The payment has not been settled by Dongguan TEL within the prescribed time period. Dongguan TEL is in negotiations with 上海全毅快遞有限公司東莞分公司 (Shanghai Quanyi Courier Services Company Limited*, Dongguan Branch) to postpone the making of payment.

- (vii) On 11 March 2010, through the mediation of the Third People's Court of Dongguan City, Guangdong Province, 東莞市格菱電梯有限公司 (Dongguan City Ge Ling Dian Ti Company Limited*) reached a civil mediation agreement with Dongguan TEL (document number: (2010)東三法民二初字第221號) pursuant to which Dongguan TEL shall repay the outstanding lift maintenance fees in the sum of RMB68,560 and costs of hearing in the sum of RMB757 on or before 30 June 2010. Dongguan TEL is in negotiations with 東莞市格菱電梯有限公司 (Dongguan City Ge Ling Dian Ti Company Limited*) to postpone the making of payment.
- (viii) On 16 March 2010, through the mediation of the Third People's Court of Dongguan City, Guangdong Province, 東莞市日盛印刷有限公司 (Dongguan City Risheng Printing Company Limited*) and Dongguan TEL reached a civil mediation agreement (document number: (2010)東三法民二初字第506號) pursuant to which Dongguan TEL shall repay the outstanding sum of RMB165,131.53 in relation to the goods supplied and costs of hearing in the sum of RMB3,147 on or before 30 June 2010. Dongguan TEL is in negotiations with 東莞市日盛印刷有限公司 (Dongguan City Risheng Printing Company Limited*) to postpone the making of payment.
- (ix) On 16 April 2010, through the mediation of the Third People's Court of Dongguan City, Guangdong Province, 任肖娥 (Ren Xiao E*) and Dongguan TEL reached a civil mediation agreement (document number: (2010)東三法民二初字第505號) pursuant to which Dongguan TEL shall repay the outstanding sum of RMB234,049.55 in relation to the goods supplied and costs of hearing in the sum of RMB4,161 on or before 30 June 2010. Dongguan TEL is in negotiations with 任肖娥 (Ren Xiao E*) to postpone the making of payment.

(l) *TEL and 東莞塘廈鎮石潭布東輝電子廠 (Dongguan Tangxia Town Shitanpu Donghui Electronics Factory*)*

On 31 December 2009, 東莞暉龍包裝材料有限公司 (Dongguan Huilong Packaging Company Limited*) lodged a civil petition with the Third People's Court of Dongguan City, Guangdong Province against TEL and 東莞塘廈鎮石潭布東輝電子廠 (Dongguan Tangxia Town Shitanpu Donghui Electronic Factory*) seeking a judgment on an outstanding sum of RMB16,228.13 together with interest of RMB1,125 thereon in relation to the good supplied.

(m) *Tonic Technology (Shenzhen) Ltd. (東力科技(深圳)有限公司) and Dongguan Xin Lian Digital Technology Co., Ltd. (東莞鑫聯數碼科技有限公司)*

Civil Petitions

- (i) On 9 January 2010, 上海頡生機電有限公司 (Shanghai Xie Sheng Mechanics Co., Ltd*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. and Dongguan Xin Lian Digital Technology Co., Ltd. seeking a judgment on an outstanding sum of RMB264,740 together with interest from October 2009 up to the date of repayment in relation to electronic goods supplied. So far as was known to the Directors or chief executive of the Company, legal proceedings have commenced and are ongoing but no judgment has been passed by the court.

- (ii) On 11 January 2010, 東莞永安科技有限公司 (Dongguan Yongan Technology Co. Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. and Dongguan Xin Lian Digital Technology Co., Ltd. seeking a judgment on an outstanding sum of RMB315,100 together with interest thereon in relation to the goods supplied. So far as was known to the Directors or chief executive of the Company, legal proceedings have commenced and are ongoing but no judgment has been passed by the court.
- (iii) On 5 February 2010, 梅州聯科電路有限公司 (Meizhou Lianke Circuit Co. Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. and Dongguan Xin Lian Digital Technology Co., Ltd. seeking a judgment on an outstanding sum of RMB139,000.96 together with interest of RMB6,150.8 thereon in relation to the goods supplied. Proceedings commenced on 1 July 2010 but judgment is yet to be made by the court.
- (iv) On 25 February 2010, 廣州市東力電池實業有限公司 (Guangzhou Eastpower Battery Ind. Co. Ltd.*) lodged a civil petition with the Third People's Court of Dongguan City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. and Dongguan Xin Lian Digital Technology Co., Ltd. seeking a judgment on an outstanding sum of RMB159,283.60 together with interest of RMB5,110.75 thereon as at 28 February 2010 in relation to the good supplied. Proceedings commenced on 7 July 2010 but judgment is yet to be made by the court.

(n) *Tonic Technology (Shenzhen) Ltd. (東力科技(深圳)有限公司)*

Judgments

- (i) On 22 December 2009, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a judgment (document number: (2009)深福法民二初字第5151號) ordering Tonic Technology (Shenzhen) Ltd. to pay 深圳市怡亞通供應鏈股份有限公司 (Shenzhen Eternal Asia Supply Chain Management Ltd.*) a composite fees of RMB114,190.69, a value added tax in the sum of RMB1,071,664.85, the overdue fine in respect of owing repayments under an import agency agreement and related documents entered in June to September of 2009 and court fees in the sum of RMB12,961.5 within 10 days from the date of judgment. The matter was appealed by Tonic Technology (Shenzhen) Ltd and the Intermediate People's Court of Guangdong Province dismissed the appeal on 4 January 2010. The payment has not been settled by Tonic Technology (Shenzhen) Ltd. within the prescribed time period. Tonic Technology (Shenzhen) Ltd. is in negotiations with 深圳市怡亞通供應鏈股份有限公司 (Shenzhen Eternal Asia Supply Chain Management Ltd.*) to reach a mediation agreement.
- (ii) On 27 January 2010, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a judgment (document number: (2009)深福法民二初字第5186號) ordering Tonic Technology (Shenzhen) Ltd. to pay 東莞德鎂精密機電品有限公司 (Dongguan Demei Electromechanical Products Co. Ltd.*) a sum of RMB2,758,230.75 together with interest thereon in relation to the goods delivered

within 10 days from the date of judgment. The payment has not been settled by Tonic Technology (Shenzhen) Ltd. within the prescribed time period. Tonic Technology (Shenzhen) Ltd. is in negotiations with 東莞德鎂精密機電產品有限公司(Dongguan Demei Electromechanical Products Co. Ltd.*) to reach a mediation agreement.

- (iii) On 15 April 2010, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a judgment (document number: (2010)深福法民二初字第813號) ordering Tonic Technology (Shenzhen) Limited to repay 深圳市瑞摩特科技發展有限公司 (Shenzhen Remote Tech-Developing Co., Ltd*) a sum of RMB1,217,865.50 in relation to the goods supplied and the court fees in the sum of RMB15,761 within 10 days from the date of judgment. The payment has not been settled by Tonic Technology (Shenzhen) Ltd. within the prescribed time period. Tonic Technology (Shenzhen) Ltd. is in negotiations with 深圳市瑞摩特科技發展有限公司 (Shenzhen Remote Tech-Developing Co., Ltd*) to reach a mediation agreement.
- (iv) On 15 April 2010, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a judgment (document number: (2010)深福法民二初字第5126號) ordering Tonic Technology (Shenzhen) Limited to pay 上海慧梓電子有限公司 (Shanghai Huizi Electronics Co. Ltd.*) a sum of RMB326,060.95 in relation to the amounts due and unpaid on goods supplied, together with interest thereon and the court fees in the sum of RMB8,565 within 10 days from the date of judgment. The payment has not been settled by Tonic Technology (Shenzhen) Ltd. within the prescribed time period. Tonic Technology (Shenzhen) Ltd. is in negotiations with 上海慧梓電子有限公司 (Shanghai Huizi Electronics Co. Ltd.*) to reach a mediation agreement.
- (v) On 26 April 2010, the People's Court of Futian, Shenzhen City, Guangdong Province issued a judgment (document number: (2010)深福法民二初字第1645號) dismissing a claim brought by 深圳市文盛包裝製品有限公司 (Wen Cheng Packaging Products Co., Ltd*) against Tonic Electronics (Shenzhen) Limited due to the plaintiff's failure to attend the court hearing.
- (vi) On 1 May 2010, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a judgment (document number: (2010)深福法民二初字第1029號) ordering Tonic Technology (Shenzhen) Limited to repay 深圳市航盛電路科技股份有限公司 (Shenzhen Hang Cheng Electric Circuit Technology Co., Limited*) a sum of RMB2,235,231.75 in relation to the goods supplied within 10 days from the date of judgment. The payment has not been settled by Tonic Technology (Shenzhen) Ltd. within the prescribed time period. Tonic Technology (Shenzhen) Ltd. is in negotiations with 深圳市航盛電路科技股份有限公司 (Shenzhen Hang Cheng Electric Circuit Technology Co., Limited*) to reach a mediation agreement.

Civil petitions

- (vii) On 22 February 2009, 上海華虹電子進出口有限公司 (Shanghai Hua Hong Electronic Import and Export Co., Ltd*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Limited seeking a judgment on an outstanding sum of RMB312,303.60 together with interest thereon in the amount of RMB7,214.21 in relation to the goods supplied. Tonic Technology (Shenzhen) Ltd. is in negotiations with 上海華虹電子進出口有限公司 (Shanghai Hua Hong Electronic Import and Export Co., Ltd*) to reach a mediation agreement.
- (viii) On 19 November 2009, 寧波神博電子有限公司 (Ningbo Sunbo Electronics Co. Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. seeking a judgment on an outstanding sum of RMB871,299.90 together with a penalty of RMB5,000 for breach of contract in relation to the goods supplied. Tonic Technology (Shenzhen) Ltd. is in negotiations with 寧波神博電子有限公司 (Ningbo Sunbo Electronics Co. Ltd.*) to reach a mediation agreement.
- (ix) On 20 November 2009, 上海日滔集成有限公司 (Shanghai Ritao Jicheng Co. Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. seeking a judgment on an outstanding sum of RMB570,650 together with interest thereon in relation to the goods supplied. Tonic Technology (Shenzhen) Ltd. is in negotiations with 上海日滔集成有限公司 (Shanghai Ritao Jicheng Co. Ltd.*) to reach a mediation agreement.
- (x) On 2 December 2009, 慈溪市海燕塑料製品有限公司 (Cixi Haiyan Plastic Products Co., Ltd*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Limited seeking a judgment on an outstanding sum of RMB571,727.90 in relation to the goods supplied. The case was filed on 1 March 2010 in the People's Court of Futian District, Guangdong Province and a public notice (document number: (2010)深福法民二初字932號) has been issued by the court stating that the petition is deemed to be served within 60 days from the date of the public notice. Tonic Technology (Shenzhen) Ltd. is in negotiations with 慈溪市海燕塑料製品有限公司 (Cixi Haiyan Plastic Products Co., Ltd*) to reach a mediation agreement.
- (xi) On 3 December 2009, 深圳市威爾達電子有限公司 (Shenzhen City Wei Er Da Electronics Co., Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. and Dongguan Xin Lian Digital Technology Co., Ltd. seeking a judgment on an outstanding sum of RMB89,480 together with all penalty payments relating to the breach of an agreement in connection with the supply of electronic goods. Tonic Technology (Shenzhen) Ltd. is in negotiations with 深圳市威爾達電子有限公司 (Shenzhen City Wei Er Da Electronics Co., Ltd.*) to reach a mediation agreement.

- (xii) On 21 December 2009, 無錫威達電子科技有限公司 (Wuxi Weida Electronics Technology Co. Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. seeking a judgment on an outstanding sum of RMB662,815.80 together with interest thereon in relation to the electronic products supplied and the legal cost. Tonic Technology (Shenzhen) Ltd. is in negotiations with 無錫威達電子科技有限公司 (Wuxi Weida Electronics Technology Co. Ltd.*) to reach a mediation agreement.
- (xiii) On 22 December 2009, 上海虹日國際電子有限公司 (Shanghai Jiangri International Electronics Co. Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. seeking a judgment on an outstanding sum of RMB332,578.31 together with interest thereon in relation to the goods supplied and the legal cost. Tonic Technology (Shenzhen) Ltd. is in negotiations with 上海虹日國際電子有限公司 (Shanghai Jiangri International Electronics Co. Ltd.*) to reach a mediation agreement.
- (xiv) On 25 December 2009, 深圳得潤精密零組件有限公司 (Shenzhen Deyuan Parts Co. Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. seeking a judgment on an outstanding sum of RMB759,218.25 in relation to the goods supplied. Tonic Technology (Shenzhen) Ltd. is in negotiations with 深圳得潤精密零組件有限公司 (Shenzhen Deyuan Parts Co. Ltd.*) to reach a mediation agreement.
- (xv) On 25 December 2009, 深圳市長先科技實業有限公司 (Shenzhen City Changxian Technology Enterprise Co. Ltd.*) lodged a petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. seeking a judgment on an outstanding sum of RMB57,000 together with interest thereon in relation to the chemical products supplied and the legal cost. Tonic Technology (Shenzhen) Ltd. is in negotiations with 深圳市長先科技實業有限公司 (Shenzhen City Changxian Technology Enterprise Co. Ltd.*) to reach a mediation agreement.
- (xvi) On 26 December 2009, 深圳市可得工貿有限公司 (Shenzhen Kede Industrial Trading Co., Ltd.*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Limited seeking a judgment on an outstanding sum of RMB920,090.20 together with interest thereon in relation to the goods supplied and the legal cost. Tonic Technology (Shenzhen) Ltd. is in negotiations with 深圳市可得工貿有限公司 (Shenzhen Kede Industrial Trading Co., Ltd.*) to reach a mediation agreement.
- (xvii) On 30 December 2009, 深圳市文盛包裝製品有限公司 (Shenzhen Wensheng Packaging Co. Ltd.*) lodged a civil petition with the People's Court of Futian District against Tonic Technology (Shenzhen) Ltd. seeking a judgment on an outstanding sum of RMB1,143,725.33 together with interest thereon in relation to the goods supplied. Tonic Technology (Shenzhen) Ltd. is in negotiations with 深圳市文盛包裝製品有限公司 (Shenzhen Wensheng Packaging Co. Ltd.*) to reach a mediation agreement.

- (xviii) On 30 December 2009, 東莞市高特電子有限公司 (Dongguan City Gao Te Electronics Co. Ltd*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. seeking a judgment on an outstanding sum of RMB280131.7 together with interest thereon in relation to the electronic products supplied and the legal cost. Tonic Technology (Shenzhen) Ltd. is in negotiations with 東莞市高特電子有限公司 (Dongguan City Gao Te Electronics Co. Ltd*) to reach a mediation agreement.
- (xix) On 15 January 2010, 上海巨德電子技術有限公司 (Shanghai Jude Electronic Technology Co. Ltd*) lodged a civil petition with the People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Ltd. seeking judgment on an outstanding sum of RMB2,051,872.55 together with interest thereon in relation to the electronic products supplied and the legal cost. Tonic Technology (Shenzhen) Ltd. is in negotiations with 上海巨德電子技術有限公司 (Shanghai Jude Electronic Technology Co. Ltd*) to reach a mediation agreement.
- (xx) On 15 January 2010, 上海聖瑞電器有限公司 (Shanghai Shengrui Electrical Appliances Co., Ltd*) lodged a civil petition with the People's Court of People's Court of Futian District, Shenzhen City, Guangdong Province against Tonic Technology (Shenzhen) Limited seeking a judgment on an outstanding sum of RMB502,785.70 together with interest thereon accruing from 31 December 2009 in relation to the electronic goods supplied and the legal cost. Tonic Technology (Shenzhen) Ltd. is in negotiations with 上海聖瑞電器有限公司 (Shanghai Shengrui Electrical Appliances Co., Ltd*) to reach a mediation agreement.
- (xxi) On 27 January 2010, 浙江中溫電子有限公司 (Zhejiang Zhongwen Electronics Co., Ltd*) lodged a civil petition to the People's Court of Futian, Shenzhen, Guangdong Province against Tonic Technology (Shenzhen) Limited seeking a judgment for an outstanding sum of RMB697,466 in relation to the goods supplied. Tonic Technology (Shenzhen) Ltd. is in negotiations with 浙江中溫電子有限公司 (Zhejiang Zhongwen Electronics Co., Ltd*) to reach a mediation agreement.

(o) *Dongguan Xin Lian Digital Technology Co., Ltd. (東莞鑫聯數碼科技有限公司)*

On 14 May 2010, 高新錫業(惠州)有限公司 (Gaoxin Tin (Huizhou) Company Limited*) and Dongguan Xin Lian Digital Technology Co., Ltd. reached a civil mediation agreement (document number: (2010)東一法民二初字第153號) pursuant to which Dongguan Xin Lian Digital Technology Co., Ltd. shall repay a sum of RMB 400,000, inclusive of the legal cost of RMB 3,804, to 高新錫業(惠州)有限公司 (Gaoxin Tin (Huizhou) Company Limited) and court fees in sum of RMB5,900 to the court. On the other hand, 高新錫業(惠州)有限公司 (Gaoxin Tin (Huizhou) Company Limited*) shall refund a sum of RMB29,334 to Dongguan Xin Lian Digital Technology Co., Ltd.

At 31 March 2010, trade and other payables of approximately HK\$96 million have been recorded for the above litigations. At the approval date of these financial statements, the concerned parties are to attend to resolve interlocutory matters before these cases are to be fixed. The Group has also been in discussion and negotiation with certain plaintiffs to reach an accommodation with those claimants and to explore the possibility of seeking a forbearance of the Group's payables. Accordingly, in the opinion of the Directors, no additional provision for litigation is considered necessary.

Employee Relations

At 31 March 2010, the Group had approximately 195 employees in Hong Kong and the PRC. Salaries and wages for the year ended 31 March 2010 totalled approximately 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. Employees may also to be granted share options at the discretion of the Board under the Company's share option scheme.

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 ("Listing Rules"). This committee is authorised by the Board and responsible for reviewing the financial reports, internal controls principles and for maintaining an appropriate relationship with the Company's auditors. The Audit Committee has reviewed the Group's consolidated financial statements for the Year, including the accounting principles and practices adopted by the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practice ("CG Code") during the year ended 31 March 2010 as set out in Appendix 14 to the Listing Rules save as disclosed below:

The Company's Articles of Association, are inconsistent with code provision A.4.2 of the CG Code, which 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 Mr. Ling Siu Man, Simon, Chairman of the Board, should not be subject to retirement to ensure continuity of leadership and stability for growth of the Company.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Ling Siu Man, Simon is the Chairman and chief executive officer of the Group. He is responsible for the Group's overall strategic planning, management of the Board's affairs. The Board considers that this structure is more effective and efficient in running the business. The Board believes that Mr. Ling's appointment to the posts of Chairman and chief executive officer is beneficial to the business prospects of the Group.

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 has confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2010.

On behalf of the Board
Ling Siu Man, Simon
Chairman & Managing Director

* *for identification purpose only*

Hong Kong, 27 July 2010

As at the date of this announcement, the Board comprises Mr. Ling Siu Man, Simon, Mr. Wong Ki Cheung and Ms. Li Fung Ching, Catherine as Executive Directors and Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul as Independent Non-executive Directors.