Tonic Industries Holdings Limited
東力實業控股有限公司

Stock Code : 0978

INTERIM REPORT 2012

CORPORATE INFORMATION

Directors

Executive Directors
Mr. HUANG Peikun *(Chairman)*
Dr. SO Shu Fai
Mr. LIU Zhuogen
Mr. YU Zhiliang

Non-executive Director
Ms. LIU Ning

Independent Non-executive Directors
Dr. WONG Wing Kuen, Albert
Ms. CHEN Yanping
Dr. SHI Xinping

Audit Committee

Dr. WONG Wing Kuen, Albert *(Chairman)*
Ms. LIU Ning
Dr. SHI Xinping

Nomination Committee

Mr. HUANG Peikun *(Chairman)*
Ms. CHEN Yanping
Dr. SHI Xinping

Remuneration Committee

Ms. CHEN Yanping *(Chairman)*
Mr. HUANG Peikun
Dr. WONG Wing Kuen, Albert

Company Secretary

Ms. CHAN Wing Yan

Auditor

Deloitte Touche Tohmatsu

Registered Office

P.O. Box 309 GT, Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Head Office and Principal Place of Business

Room 3111, 31/F
China Merchants Tower, Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

Principal Bankers

Bank of Communications Co., Ltd.
Hong Kong Branch
Standard Chartered Bank (Hong Kong)
Limited

Share Registrars and Transfer Office

In Hong Kong
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong
In Cayman Islands
Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

Website

www.tonic.com.hk
www.irasia.com/listco/hk/tonic

Stock Code

978

INTERIM FINANCIAL STATEMENTS

The board (the "Board") of directors (the "Directors") of Tonic Industries Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 (the "Period") together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		Six months ended 30 September	
	Notes	**2012 Unaudited HK$'000**	2011 Unaudited HK$'000
Turnover	*5*	**47,844**	101,475
Cost of sales		**(48,653)**	(103,431)
Gross loss		**(809)**	(1,956)
Other income		**179**	1,681
Selling expenses and distribution costs		**(21)**	(299)
Administrative expenses		**(5,931)**	(15,330)
Loss on disposal of property, plant and equipment		**(86)**	–
Loss on loss of control of subsidiaries	*6*	**(5,062)**	–
Finance costs	*7*	**(133)**	(7,824)
Loss for the period attributable to equity holders of the Company	*9*	**(11,863)**	(23,728)
Loss per share	*10*		
Basic (HK cents)		**(1.1)**	(2.2)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	Unaudited	Unaudited
	HK$'000	HK$'000
LOSS FOR THE PERIOD	**(11,863)**	(23,728)
Other comprehensive income (expense):		
Exchange differences arising on translation of foreign operations	**(79)**	6,632
Reclassified to profit or loss upon loss of control of subsidiaries	**7,765**	–
Total comprehensive expense for the period attributable to equity holders of the Company	**(4,177)**	(17,096)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	**At 30 September 2012 Unaudited HK$'000**	At 31 March 2012 Audited HK$'000
Non-current assets			
Property, plant and equipment		**24**	203,930
Current assets			
Inventories		**–**	5,499
Accounts receivables	*13*	**33,350**	9,215
Prepayments, deposits and other receivables		**17,224**	2,313
Cash and bank balances		**6,637**	33,683
		57,211	50,710
Current liabilities			
Accounts payables	*14*	**27,457**	570
Accruals and other payables		**1,604**	25,825
Borrowings	*15*	**28,000**	185,570
Amount due to a director		**–**	2,000
		57,061	213,965
Net current assets (liabilities)		**150**	(163,255)
Total assets less current liabilities		**174**	40,675
Non-current liabilities			
Borrowings	*15*	**–**	18,000
Deferred tax liabilities		**–**	18,324
		–	36,324
NET ASSETS		**174**	4,351
Capital and reserves			
Share capital		**10,685**	10,685
Reserves		**(10,511)**	(6,334)
TOTAL EQUITY		**174**	4,351

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to equity holders of the Company					
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011 (audited)	10,685	75,022	43,423	(10,476)	(60,139)	58,515
Total comprehensive income (expense) for the period	–	–	–	6,632	(23,728)	(17,096)
At 30 September 2011 (unaudited)	10,685	75,022	43,423	(3,844)	(83,867)	41,419
Total comprehensive income (expense) for the period	–	–	5,635	(3,811)	(38,892)	(37,068)
At 31 March 2012 and 1 April 2012 (audited)	10,685	75,022	49,058	(7,655)	(122,759)	4,351
Release upon loss of control of subsidiaries (note 6)	–	–	(49,058)	–	49,058	–
Total comprehensive income (expense) for the period	–	–	–	7,686	(11,863)	(4,177)
At 30 September 2012 (unaudited)	10,685	75,022	–	31	(85,564)	174

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	Unaudited	Unaudited
	HK$'000	HK$'000
Net cash used in operating activities	**(26,589)**	(23,772)
Net cash used in investing activities	**(7,388)**	(79)
Net cash from financing activities	**7,000**	54,000
Net (decrease)/increase in cash and cash equivalents	**(26,977)**	30,149
Cash and cash equivalents at beginning of the period	**33,683**	8,927
Effects of changes in foreign exchange rate	**(69)**	3,703
Cash and cash equivalents at end of the period, representing cash and bank balances	**6,637**	42,779

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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"), the 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. 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 Shenzhen Stock Exchange, holding the entire equity interest in Eureka.

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

2. Basis of preparation

The condensed consolidated financial statements have been prepared on a going concern basis because Eureka, the intermediate holding company of the Company, has agreed to provide adequate funds to enable the Group to meet in full its obligation as they fall due for a period of at least 12 months from the date of approving the condensed consolidated financial statements for the six months ended 30 September 2012 by the Directors.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the Hong Kong Accounting Standard 34" Interim Financial Reporting "issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. Adoption of new and revised Hong Kong financial reporting standards

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("new and revised HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed 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 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

The directors of the Company anticipate that the application of other 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 executive directors.

The chief operating decision maker determined that the Group has only one operating segment which derive revenue from sales of electronic consumer products and related components.

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

(a) Information about the operating and reportable segment loss and assets:

	Six months ended 30 September	
	2012	2011
	Unaudited	Unaudited
	HK$'000	HK$'000
Revenue from external customers	**47,844**	101,475
Segment loss	**(2,627)**	(8,836)
Amount regularly provided to the chief operating decision maker but not included in the measure of segment loss:		
Interest income	**–**	8
Interest expenses	**133**	7,824
Depreciation	**624**	6,027
Loss on loss of control of subsidiaries	**5,062**	–
Additions to segment non-current assets	**–**	79

	As at 30 September 2012	As at 31 March 2012
	Unaudited	Audited
	HK$'000	HK$'000
Segment assets	**50,548**	220,554

(b) Reconciliations of the operating and reportable segment loss:

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	Unaudited	Unaudited
	HK$'000	HK$'000
Segment loss	**(2,627)**	(8,836)
Other unallocated and corporate expenses and losses	**(4,041)**	(7,068)
Finance costs	**(133)**	(7,824)
Loss on loss of control of subsidiaries	**(5,062)**	–
Loss for the period	**(11,863)**	(23,728)

Segment loss represents the loss from operating and reportable segment without allocation of unallocated corporate expenses and losses, finance costs, administrative expenses and loss on loss of control of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

5. Turnover

	Six months ended 30 September	
	2012	2011
	Unaudited	Unaudited
	HK$'000	HK$'000
Sales of electronic consumer products and related components	**47,844**	99,293
Service fees from processing of electronic consumer products and related components	**–**	2,182
	47,844	101,475

6. Loss on loss of control of subsidiaries

On 19 April 2012, the Board 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 (the "Total Ally Group") are involved in PRC operations which operated a factory in the PRC manufacturing TV set-top boxes, which also supported the business of the Group.

Upon the appointment of liquidators, the Directors consider that the Group has 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 from the date of loss of control were as follows:

Net liabilities:	HK$'000
Property, plant and equipment	203,186
Inventories	4,023
Accounts receivables	9,341
Prepayments, deposits 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)

7. Finance costs

	Six months ended 30 September	
	2012	2011
	Unaudited	Unaudited
	HK$'000	HK$'000
Interest on borrowings wholly repayable within five years:		
Bank and other borrowings	**59**	6,975
Loans from the ultimate holding company	**–**	400
Loans from shareholders of the Company	**74**	449
	133	7,824

8. Income tax

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

9. Loss for the period

The Group's loss for the period is stated after charging:

	Six months ended 30 September	
	2012	2011
	Unaudited	Unaudited
	HK$'000	HK$'000
Cost of inventories sold	**48,653**	103,431
Depreciation on property, plant and equipment	**624**	6,027
Directors' remunerations	**414**	830
Employee benefits expense (including directors' remuneration):		
Wages, salaries and allowances	**2,316**	9,388
Pension scheme contributions	**76**	257
	2,392	9,645

10. 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$11,863,000 (six months ended 30 September 2011: a loss of approximately HK$23,728,000) and the 1,068,468,860 (six months ended 30 September 2011: 1,068,468,860) ordinary shares in issue during the period.

Diluted loss per share is not presented for both periods as there is no potential ordinary shares outstanding during the period or at the end of reporting period.

11. Dividend

The Board do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (Six months ended 30 September 2011: Nil).

12. Additions to property, plant and equipment

During the period, there were no additions to property, plant and equipment. During the six months ended 30 September 2011, the Group incurred approximately HK$79,000 for the purchase of furniture, fixtures, leasehold improvement and motor vehicles.

13. Accounts receivables

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.

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

	At 30 September 2012 Unaudited HK$'000	At 31 March 2012 Audited HK$'000
30 days or less	**21,064**	5,097
31 to 60 days	**8,459**	487
61 to 90 days	**3,827**	3,631
	33,350	9,215

14. Accounts payables

The credit period for purchase of goods range from 30 to 90 days. The aging analysis of accounts payables at end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2012 Unaudited HK$'000	At 31 March 2012 Audited HK$'000
30 days or less	**12,308**	71
31 to 90 days	**15,149**	–
Over 90 days	**–**	499
	27,457	570

15. Borrowings

	Notes	At 30 September 2012 Unaudited HK$'000	At 31 March 2012 Audited HK$'000
Loans from the ultimate holding company	*(i)*	–	69,700
Loan from a shareholder of the Company	*(ii)*	5,000	–
Loan from the immediate holding company	*(iii)*	2,000	–
Loan from a shareholder of the Company	*(iv)*	21,000	49,000
Other loans	*(v)*	–	84,870
		28,000	203,570
Analysed as:			
Secured		–	124,870
Unsecured		28,000	78,700
		28,000	203,570
Carrying amounts repayable:			
Within one year or on demand, disclosed as current liabilities		28,000	185,570
More than one year but not exceeding two years, disclosed as non-current liabilities		–	18,000
		28,000	203,570

Notes:

(i) As at 31 March 2012, the loans from the ultimate holding company of HK$40,000,000 were interest bearing at 2% per annum and secured by a share charge over the entire issued capital of a wholly-owned subsidiary of the Company. The remaining loans of HK$29,700,000 from the ultimate holding company were unsecured, interest free and had no fixed term of repayment. During the six months ended 30 September 2012, the loan from the ultimate holding company was derecognised upon loss of control of subsidiaries and the share charge was released.

(ii) The loan from a shareholder of the Company is unsecured, interest free and will be matured within one year from end of the reporting period.

(iii) The loan from immediate holding company is unsecured, bears interest at 6-month Hong Kong Interbank Offered Rate plus 2% per annum and repayable on demand.

(iv) As at 31 March 2012, the loan from a shareholder of the Company was unsecured and bore interest at Hong Kong prime interest rate plus 2% per annum, in which, HK$31,000,000 of which had no fixed term of the repayment and the remaining loan of HK$18,000,000 were not repayable within one year.

As at 30 September 2012, the loans from a shareholder of the Company is unsecured and bears interest at Hong Kong Prime interest rate plus 2% per annum and the interest will be calculated based on drawdown by subsidiaries of Grand Golden Profit Limited. The loan from a shareholder will be matured within one year from the end of the reporting period.

(v) At 31 March 2012, the other loans of approximately HK$84,870,000 were secured by the mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$179,846,000. The other loans were derecognised upon loss of control of subsidiaries.

16. Share capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2011, 31 March 2012 and 30 September 2012	30,000,000,000	300,000
Issued and fully paid:		
At 1 April 2011, 31 March 2012 and 30 September 2012	1,068,468,860	10,685

17. Major non-cash transaction

During the period, the Group entered into various agreements with shareholders of the Company and a subsidiary of Total Ally, whereby the subsidiary of Total Ally assumed all the responsibilities of the outstanding loans and interests of approximately HK$86,904,000 due to shareholders of the Company by the Group.

18. Approval of interim financial statements

The Interim Financial Statements were approved and authorised for issue by the Board on 23 November 2012.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the Period (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the period from 1 April 2012 to 30 September 2012, the Group recorded a turnover of HK$47.8 million and a loss attributable to equity holders of the Company of HK$11.9 million, compared to turnover of HK$101.5 million and loss of HK$23.7 million for the corresponding period of last year. The loss for the six months ended 30 September 2012 comprised of a loss of HK$5.1 million for the loss of control of Total Ally, an indirect wholly-owned subsidiary of the Company, which operated a factory in the PRC. Excluding such non-recurring loss, the loss would amount to HK$6.8 million, representing a decrease of loss of HK$16.9 million as compared with the corresponding period of last year. Although the results of the Group remained unsatisfactory for the six months ended 30 September 2012, the loss has been narrowed with the joint effort of the management and all the staff.

Business Transition

Under the financial crisis, revenue from "The Manufacturing Industry of Electronic and Information Products" in Mainland China for the period from January to July 2012 recorded an increase of 8.9% as compared with the corresponding period of last year. However, total profit dropped 12.3% as compared with the corresponding period of last year. Number of loss making enterprises increased by 19.4% as compared with the corresponding period of last year. As the industry environment in which the Group operates is increasingly harsh, the trading business of electronic products encounters enormous difficulties and pressure.

On 7 May 2012, China Merchants Property Development Co. Ltd. ("CMPD"), the leading property developer in Mainland China, 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 products trading business. In order to improve the financial results, the Group strives to operate the existing trading of electronic 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.

On 16 November 2012, the independent shareholders of the Group have approved 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. This provides an important opportunity for the Group to explore into the property related procurement business and also begin a new phase for the Group's development.

Enhancing Management

On 19 April 2012, Total Ally was put under voluntary liquidation which can help the Group to solve the problems of idle capacity and high operating costs. After CMPD became the controlling shareholder of the Group, the Group continues to enhance the management based on such concept. The Group commits to strengthen the original businesses through improving the management of operation segments, business plans, cost control and risk management, while at the same time establish an effective preliminary control system for carrying on the property related procurement business.

Outlook and Prospects

As the property related procurement business moves ahead, the Group's revenue source will be diversified. It will also enrich our experience on the sourcing field and broaden our customer base. In particular, nurturing the ability of the property related procurement business will enable the Group to continue the research and development, as permitted by law, and to secure a solid foundation for developing other business with higher return and more growing potential.

Liquidity and Financial Resources

As at 30 September 2012, the Group's cash and bank balances amounted to HK$6.6 million (31 March 2012: HK$33.7 million).

The trade receivable balance as at 30 September 2012 was approximately HK$33.4 million (31 March 2012: HK$9.2 million).

The gearing ratio as at 30 September 2012, calculated on the basis of borrowings over total equity attributable to the equity holders of the Company, was 160.9 as compared to 46.8 as at 31 March 2012. As at 30 September 2012, the Group's aggregate borrowings were approximately HK$28 million (31 March 2012: HK$203.6 million).

Treasury Policies and Exchange & Other Exposures

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

Pledge of Assets

As at 30 September 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.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2012 (31 March 2012: Nil).

Employee Remuneration and Relations

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

Apart from basic salaries and wages, fringe benefits such as contributions to the mandatory provident fund, group medical insurance and group personal accident insurance are 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 Period.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, the following Director had an interest or short position in the share capital of the Company or its associated corporations (within the meaning in Part XV of the SFO) which are (1) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); (2) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Long positions in ordinary shares of the Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
So Shu Fai	Through controlled corporations *(Note)*	32,054,066	3.00%

Note:

These Shares are held by Skill China. Fortune Alliance Group Limited is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings ("control") of Skill China. Hence Fortune Alliance Group Limited is deemed to be interested in the Shares held by Skill China. Fortune Alliance Group Limited is in turn controlled by Jointprofit Limited, which is beneficially wholly-owned by Dr. So Shu Fai, an executive Director of the Company. Hence Dr. So Shu Fai is deemed to be interested in the Shares held by Skill China. Skill China, Fortune Alliance Group Limited and Jointprofit Limited are companies incorporated in the British Virgin Islands with limited liability.

Saved as disclosed above, as at 30 September 2012, none of the Directors had any interests or short positions in the share capital of the Company or its associated corporations (within the meaning in Part XV of the SFO) which are (1) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); (2) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the section "Directors' Interests and Short Position in Shares and Underlying Shares" above at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The 2011 Share Option Scheme was adopted 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 Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2012, the following parties having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interests	Number of ordinary shares held		Percentage of the Company's issued share capital
		Long position	Short position	
China Merchants Group Co., Ltd.	Through controlled corporations	749,860,626	–	70.18%
CMPD	Through controlled corporations	749,860,626	–	70.18%
China Merchants Shekou Industrial Zone Co. Ltd.	Through controlled corporations	749,860,626	–	70.18%
Success Well Investments Limited	Beneficial interest	749,860,626	–	70.18%

Save as disclosed above, as at 30 September 2012, no person, other than the Directors, whose interests are set out in the section "Directors' Interests and Short Position in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the Period, 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 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 statements for the Period, including the accounting principles and practices adopted by the Group.

CORPORATE GOVERNANCE CODE

The Group is committed to ensure a high standard of corporate governance. For the six months ended 30 September 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 interim report, 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 specifics 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

Under Code Provision A.6.4, the Board has established written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the Company's securities. "Relevant employee" includes any employee or a director of a subsidiary or holding company, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Group or its securities. Having made specific enquiry of all Relevant employees, the directors are satisfied that the required standard set out in the Model Code and its code of conduct regarding securities transaction have been complied with during the period covered by the interim report.

On behalf of the Board
Mr. Huang Peikun
Chairman

Hong Kong, 23 November 2012