MEXAN LIMITED

茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 22

ANNUAL REPORT 2009

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Lun Chi Yim *(Chairman)*
Lun Yiu Kay Edwin *(Managing Director)*
Ng Tze Ho Joseph

Independent Non-Executive Directors:

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lam Yiu Pang Albert

COMPANY SECRETARY

Nip Suk Ching

PRINCIPAL BANKERS

Dah Sing Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Mexan Harbour Hotel
Hotel 2, Rambler Crest
No. 1 Tsing Yi Road
Tsing Yi
New Territories
Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.mexanhk.com

STOCK CODE

22

CHAIRMAN'S STATEMENT

I present the results and operations of MEXAN LIMITED (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2009.

RESULTS

Turnover of the Group for the year ended 31 March 2009 amounted to approximately HK$75.8 million which solely comprised the turnover generated from the hotel operation, representing an increase of 1% when compared with the turnover of approximately HK$74.8 million generated for last year.

The Group recorded a profit attributable to equity holders of the Company of approximately HK$14.1 million for the year ended 31 March 2009, most of which were profit recorded from the non-recurring money lending business and the receivables were outstanding, as compared to a loss attributable to equity holders of the Company of approximately HK$11.6 million for last year. The change from loss to profit in this year was mainly attributable to the decrease in interest expense of the Group as a result of the declining interest rate for HKD denominated loan and the profit generated from the non-recurring money lending business.

The Group has recorded a loss attributable to equity holders of the Company in recent years. For the year ended 31 March 2006 and the year ended 31 March 2007, the Group recorded a loss attributable to equity holders of the Company of approximately HK$108.9 million and HK$92.3 million respectively. Since the completion of the group reorganisation and Winland Wealth (BVI) Limited became the substantial shareholder in April 2007, the Group has been striving for improving the Group's operation to minimize the loss. The loss attributable to equity holders of the Company for the year ended 31 March 2008 was reduced to HK$11.6 million.

PROSPECTS

The adverse effects to the overall economy caused by the global financial crisis are unprecedented. The hotel business in Hong Kong was unavoidably be affected and even worsened by the outbreak of the swine flu. The financial crisis coupled with the spread of the swine flu, should they continue, may further hinder the recovery of the global economy, which would have further impact to the hotel business. The Group may suffer a loss in the coming year should the interest rate rise.

The management will regularly conduct review of the Group's financial position and business activities in order to formulate its business and strategic development plans and continue to explore further suitable investment opportunities for the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our sincere appreciation to our shareholders, professional advisers, bankers and customers for their continuous support and trust. I would also like to thank the management and staff for their dedication and commitment.

Lun Chi Yim
Chairman

Hong Kong, 3 July 2009

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

Hotel operation

The Group operates the Mexan Harbour Hotel, a 800-room hotel in Tsing Yi, maintained an average occupancy rate of approximately 91% for the year under review, while according to the figure provided by the Census and Statistics Department, the average hotel accommodation occupancy rate was approximately 85% in the year 2008.

The Group has generated steady revenue from the hotel operation. Turnover from the hotel operation for the year ended 31 March 2009 amounted to approximately HK$75.8 million, as compared with approximately HK$74.8 million for last year.

Others

Approximately HK$17.1 million of other income generated for the year ended 31 March 2009 which represented the loan interest income and loan arrangement fee income generated from money lending business, most of which were outstanding receivables. The loan interest income and loan arrangement fee income was substantially generated from a loan to a third party amounted to HK$104 million and this loan will be expired on 7 July 2009. The income generated from money lending business was non-recurring. According to the loans documents, the Group shall be entitled to receive overdue interest accrued on the outstanding interest receivables.

Proposed acquisition during the year

On 31 August 2008 and 12 September 2008, the Company entered into agreements with related companies of Winland Wealth (BVI) Limited (substantial shareholder of the Company) in respect of acquisition of companies which main activities are holding of two commercial properties located in Central. The acquisition constituted a connected transaction under the Listing Rules. Details of the transaction have been set out in the Company's circular dated 2 October 2008. The acquisition was not passed by independent shareholders in the Special General Meeting held on 24 October 2008, and the results were published on the Company's announcement dated 24 October 2008.

LIQUIDITY AND FINANCIAL INFORMATION

During the year under review, cashflow of the Group was mainly generated from business operations. As at 31 March 2009, the Group's total borrowings amounted to approximately HK$522 million compared with approximately HK$434 million as at 31 March 2008. The increase of the Group's total borrowings was due to the financing for the money lending business.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL INFORMATION (continued)

As at 31 March 2009, cash and bank balances amounted to approximately HK$5 million compared with cash and bank balances of approximately HK$8 million last year. The Group's net assets as at 31 March 2009 amounted to approximately HK$229 million compared with approximately HK$215 million last year.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to total equity was approximately 228% as at 31 March 2009 compared to approximately 202% as at 31 March 2008. Net gearing ratio of the Group which is expressed as a percentage of net borrowings (total borrowings less cash and bank balance) to total equity was approximately 226% compared with approximately 198% last year.

Of the Group's total borrowings as at 31 March 2009, approximately HK$309 million (59%) would be due within one year, approximately HK$17 million (3%) would be due in more than one year but not exceeding two years, approximately HK$51 million (10%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK$145 million (28%) would be due after five years.

The total borrowings were denominated in HKD and bear a variable interest rate.

The above borrowings were secured by the hotel property, corporate guarantee from the Company and guarantees from directors and their related companies.

TREASURY POLICIES

The Group generally financed its operations with internally generated resources and credit facilities. Bank deposits are denominated in HKD.

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly recorded in the currency most connected with the Group's businesses in the countries concerned and the borrowings were balanced by assets in the same currencies.

In addition, the Group had not implemented major hedging or other alternative measures during the year ended 31 March 2009 as the foreign currency risk exposure was considered to be minimal. As at 31 March 2009, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

MANAGEMENT DISCUSSION AND ANALYSIS

EQUITY

Total equity of the Group as at 31 March 2009 was approximately HK$229 million compared with approximately HK$215 million last year. Total equity attributable to equity holders of the Company as at 31 March 2009 was approximately HK$230 million compared with approximately HK$216 million last year. The increase was resulted from the profit recorded for the year under review.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 March 2009, the total number of employees of the Group was 135 (2008: 134). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the comparable market statistics. No director of the Company, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on periodic basis. The Group participates in pension schemes which cover all the eligible employees of the Group.

CONTINGENT LIABILITY

As at 31 March 2009, the Company had provided guarantees to banks in respect of loans granted to its subsidiaries amounting to approximately HK$522 million.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of MEXAN LIMITED (the "Company") is committed to maintain a high standard of corporate governance. The Board believes that a good, solid and sensible framework of corporate governance will enhance the Company and its subsidiaries (the "Group") to run its business in the best interest of its shareholders as a whole.

In the opinion of the directors of the Company ("Directors" or individually, the "Director"), the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year under review, except for the deviation from code provision A.4.2 of the CG Code as disclosed in this report. Please refer to the section of "Nomination and re-election of Directors" hereafter.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transaction throughout the year.

BOARD OF DIRECTORS

The Directors during the year ended 31 March 2009 and up to the date of this report were:

Executive Directors

Lun Chi Yim *(Chairman)*
Lun Yiu Kay Edwin *(Managing Director)*
Ng Tze Ho Joseph

Independent Non-Executive Directors

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lam Yiu Pang Albert

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

As at the date of this report, the Board comprised six Directors, three of whom are Executive Directors (including the Chairman of the Board and the Managing Director) and three of whom are Independent Non-Executive Directors. Details of backgrounds and qualifications of each Director are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Company has arranged appropriate insurance cover in respect of legal actions against the Directors.

The Board is responsible for the leadership and control of the Company and collectively responsible for promoting the success of the Company and supervising the Company's affairs. It also monitors overall strategic development of the Group, financial performance and the internal controls of the Group's business operations. Executive Directors are responsible for running the business of the Group and executing the strategies adopted by the Board. The day-to-day running of the Company is delegated to the management with department heads responsible for different aspects of the business/functions.

Independent Non-Executive Directors serve the relevant function of bringing independent judgement on issues of strategy, policy, development, performance and risk management of the Group through their contributions in Board meetings. The Board considers that each Independent Non-Executive Director of the Company is independent in character and judgement. The Company has received from each Independent Non-Executive Director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets at least four times each year to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all Directors for all regular Board meetings to give all Directors an opportunity to attend. All regular Board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All Directors have access to board papers and related materials, and are provided with adequate information which enables the Board to make an informed decision on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director. To the best knowledge of the Directors, save as Mr. Lun Chi Yim, the Chairman of the Board, is the father of Mr. Lun Yiu Kay Edwin, Managing Director, there is no financial, business and family relationship among the members of the Board.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

For the year ended 31 March 2009, other than resolutions passed by means of resolutions in writing of Directors, the Board held ten meetings. The following table shows the attendance records of individual Director at the meetings of the Board held for the year ended 31 March 2009:

DIRECTORS' ATTENDANCE

	Number of Board meetings held during the Director's term of office during year ended 31 March 2009	Number of meetings attended
Executive Directors		
Mr. Lun Chi Yim *(Chairman)*	10	9
Mr. Lun Yiu Kay Edwin *(Managing Director)*	10	9
Mr. Ng Tze Ho Joseph	10	9
Independent Non-Executive Directors		
Dr. Tse Kwing Chuen	10	10
Mr. Ng Hung Sui Kenneth	10	10
Mr. Lam Yiu Pang Albert	10	10

CHAIRMAN AND MANAGING DIRECTOR

The positions of the Chairman of the Board and Managing Director are held by Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin respectively. This segregation ensures that a clear distinction between the Chairman's responsibility to manage the Board and the Managing Director's responsibility to manage the Company's business. The respective responsibilities of the Chairman and the Managing Director are set out in an internal document entitled "Code of Corporate Governance".

NON-EXECUTIVE DIRECTORS

The term of office of each present independent non-executive director is for a period of 2 years from 19 April 2009 to 18 April 2011, subject to retirement by rotation in accordance with the Bye-laws of the Company.

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE

The Executive Committee was established with specific written terms of reference. The functions of the Executive Committee include dealing with all financial, commercial, business, legal, management and administration issues of the Company. The Executive Committee comprises of all executive directors, Mr. Lun Chi Yim, Mr. Lun Yiu Kay Edwin and Mr. Ng Tze Ho Joseph. Mr. Lun Chi Yim is the chairman of the Executive Committee.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference. In line with its terms of reference approved by the Board, the role and function of the Remuneration Committee is to review, discuss and approve the remuneration mechanism of the Directors and senior management of the Company and to establish and maintain a reasonable and competitive remuneration level in order to attract and retain the Directors and senior management. The Remuneration Committee comprises of three members, including the Managing Director, Mr. Lun Yiu Kay Edwin and two Independent Non-Executive Directors, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. Mr. Lun Yiu Kay Edwin is the chairman of the Remuneration Committee.

During the year, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of Members	Number of Remuneration Committee meetings held during the member's term of office during year ended 31 March 2009	Number of meetings attended
Mr. Lun Yiu Kay Edwin *(Chairman)*	1	1
Mr. Ng Hung Sui Kenneth	1	1
Mr. Lam Yiu Pang Albert	1	1

During the meeting, the Remuneration Committee discussed and determined the Director's fee for individual Director. The emoluments of the Directors are determined by reference to the comparable market statistics. A Director is not allowed to approve his/her remuneration.

To comply with the code provision B.1.4 of the CG Code, the terms of reference of the Remuneration Committee are included on the Company's website and also available on request.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee was established in March 1999 with specific written terms of reference. The Audit Committee comprises of three members, including Mr. Lam Yiu Pang Albert, Dr. Tse Kwing Chuen and Mr. Ng Hung Sui Kenneth, all of them are Independent Non-Executive Directors. The chairman of the Audit Committee is Mr. Lam Yiu Pang Albert. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee's functions include:

- reviewing and monitoring financial reporting and the reporting judgement contained in them; and
- reviewing financial and internal controls, accounting policies and practices with management, internal and external auditors.

During the year, two Audit Committee meetings were held, one of which was attended by the former external auditor, Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited). The individual attendance of each member is set out below:

Name of Members	Number of Audit Committee meetings held during the member's term of office during year ended 31 March 2009	Number of meetings attended
Mr. Lam Yiu Pang Albert *(Chairman)*	2	2
Dr. Tse Kwing Chuen	2	2
Mr. Ng Hung Sui Kenneth	2	2

Summary of work done for the year ended 31 March 2009:–

- review of final results and draft audited financial statements for the year ended 31 March 2008;
- review of interim results and draft unaudited financial statements for the six months ended 30 September 2008;
- consideration and approval of the re-appointment of auditors and their audit fee; and
- review of the internal control review report conducted by an external consultancy firm.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (continued)

The Audit Committee has also reviewed with the Company's auditors, BDO Limited, the audited financial statements for the year ended 31 March 2009 and has also discussed auditing, internal controls and financial reporting matters of the Group.

To comply with the code provision C.3.4 of the CG Code, the terms of reference of the Audit Committee are included on the Company's website and also available on request.

NOMINATION AND RE-ELECTION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. During the year under review, the Company has not established a nomination committee. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his/her qualifications, experience and background. During the year under review, there was no change in Directors and accordingly, no meeting was held by the Board for nomination of new director.

Under the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in accordance with the Bye-laws, the Chairman and Managing Director are not subject to retirement by rotation or taken into account on determining the number of Directors to retire. This constitutes a deviation from code provision of A.4.2 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of the Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders of the Company as a whole.

AUDITORS' REMUNERATION

BDO Limited is the auditor of the Company. During the year ended 31 March 2009, the fees charged to the financial statements of the Company and its subsidiaries for BDO Limited's statutory audit amounted to HK$410,000.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant period. In preparing the financial statements for the year ended 31 March 2009, the Directors ensured that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for the timely publication of the financial statements of the Group.

The statement of the auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" section of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

The Board is responsible for maintaining a proper and effective system of internal control to safeguard the shareholders' investment and the assets of the Group.

The Board has engaged an external consultancy firm to conduct review of the effectiveness of the internal control systems. The review covers all material controls, including financial, operational and compliance controls, and risk management functions of hotel operation. Based on the result of the review, the audit committee and the Board is not aware of any significant internal control deficiencies which needs to be brought to the attention of the shareholders.

DIRECTORS' REPORT

The directors ("Directors" or individually, the "Director") of MEXAN LIMITED (the "Company") submit their report together with the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. During the year, the principal activity of its subsidiaries is hotel operation. Further details of subsidiaries during the year ended 31 March 2009 are set out in note 31 to the financial statements.

An analysis of turnover and results from operations of the Company and its subsidiaries (the "Group") for the year by principal activities is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 27.

The state of affairs of the Group and the Company as at 31 March 2009 are set out in the balance sheets on pages 28 to 30.

The cash flows of the Group are set out in the consolidated cash flow statement on pages 32 to 33.

As at 31 March 2009, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$29,267,000 (2008: HK$26,656,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2009 (2008: Nil).

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 23 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 31 and in note 24 to the financial statements respectively.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 77.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in hotel property and other property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

PRINCIPAL PROPERTY

Particulars of the Group's hotel property are set out on page 78.

BANK LOANS

Particulars of the Group's bank loans are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

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

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for 26% and 71% respectively of the turnover of the Group for the year.

None of the Directors, their associates or any shareholders (who, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any beneficial interest in the major customers noted above.

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% in the year under review.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Lun Chi Yim *(Chairman)*
Lun Yiu Kay Edwin *(Managing Director)*
Ng Tze Ho Joseph

Independent Non-Executive Directors:

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lam Yiu Pang Albert

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Tse Kwing Chuen shall retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group, which is not determinable by the Group within one year without payment of compensation, other than statutory compensations.

The Company has received from each of the Independent Non-Executive Directors their annual confirmations of independence and considers that each of the Independent Non-Executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors of the Company as at the date of this report are set out below:

Executive Directors

Mr. Lun Chi Yim, aged 75, has been a Director and the Chairman of the Board since April 2007. Mr. Lun is an experienced real property investor. He is a graduate of the Civil Engineering Department in the South China University of Technology in the People's Republic of China (the "PRC") in 1957. He was engaged in the architectural design and structural engineering design after graduation, and involved in property investment in Hong Kong since late 1960's. He was appointed as a Guest Professor in the South China University of Technology in the PRC in 2001. He is the Permanent Honorary President of the Hong Kong Real Estate Agencies General Association Limited, an honorary citizen in the city of Lo Din in Guangdong Province of the PRC and the Permanent Honorary President and Deputy President of China Universities Alumni (H.K.) Association.

Mr. Lun is the founder of the Winland Group which is a diversified group of companies established in Hong Kong and principally engaged in the businesses of property investment, money lending (only on security of immovable properties or shares of listed companies) and the provision of hotel and property management services. Mr. Lun also engages in various infrastructure investments in the PRC through joint ventures.

He is also the sole director and ultimate sole shareholder of Winland Wealth (BVI) Limited, which has an interest in the shares of the Company, which falls to be disclosed under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

Mr. Lun is also a director of the wholly-owned subsidiaries of the Company, and he is the father of Mr. Lun Yiu Kay Edwin, an executive director and the Managing Director of the Company.

Mr. Lun Yiu Kay Edwin, aged 39, has been a Director and the Managing Director of the Company since April 2007. Mr. Lun holds a Bachelor's Degree in Science (Land Management) from the University of Reading, United Kingdom. He has over 15 years' experience in property investment, finance and management. He is also experienced in hotel management and in the tourism industry. Mr. Lun joined the Winland Group in 1994 and is currently a director of various companies in the Winland Group.

Mr. Lun is also the Chairman of the remuneration committee of the Board, a director of all the subsidiaries of the Company, and he is the son of Mr. Lun Chi Yim, an executive director and the Chairman of the Company.

Mr. Ng Tze Ho Joseph, aged 37, has been a Director since April 2007. Mr. Ng holds a Bachelor's Degree in Science (Quantity Surveying) from the University of Reading, United Kingdom. He has over 14 years' experience in property investment and development, leasing and management. Mr. Ng joined the Winland Group in 1997 and is currently a director of several companies in the Winland Group.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-Executive Directors

Dr. Tse Kwing Chuen, aged 58, has been a Director since April 2007. He is also a member of the audit committee of the Board. Dr. Tse obtained a Master's Degree in Economics from the Zhongshan University, the PRC and a Doctorate's Degree of Philosophy in Business Administration from the Bulacan State University, the Republic of the Philippines. Dr. Tse is a director of China Tiger Investment Fund Management Limited, a company incorporated in Hong Kong and is experienced in management of business enterprises. He is the Deputy President of China Universities Alumni (H.K.) Association and visiting Professor in Sun Yat-sen University in the PRC, and Tianjin Normal University in the PRC.

Mr. Ng Hung Sui Kenneth, aged 42, has been a Director since April 2007. He is also a member of the audit committee and remuneration committee of the Board. Mr. Ng obtained a Bachelor's Degree in Laws from the University of Hong Kong and is a solicitor practising in Hong Kong since 1992. He was also admitted as a solicitor in England and Wales in 1993 and as a legal practitioner in Tasmania, Australia in 1994. He is a partner of Messrs. Yaddy Cheung & Co. Solicitors and is a Notary Public of Hong Kong. He is a member both of the Standing Committee on External Affairs and the Criminal Law & Procedure Committee of the Law Society of Hong Kong.

Mr. Ng currently also serves as an independent non-executive director of Samson Paper Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. Lam Yiu Pang Albert, aged 62, has been a Director since April 2007. He is also the Chairman of the audit committee and a member of the remuneration committee of the Board. Mr. Lam obtained a Bachelor's Degree in Economics from the University of Tasmania, Australia. He is an associate member of The Institute of Chartered Accountants in Australia, and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Various businesses and functions of the Company are respectively under the direct responsibilities of the Executive Directors who are regarded as senior management of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions", no contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

SHARE OPTION SCHEME

On 27 September 2004, the Company adopted a new share option scheme (the "Scheme") which is in compliance with Chapter 17 of the Listing Rules. No options have been granted under the Scheme during the period from the date of adoption up to the date of this report.

Below is a summary of the principal terms of the Scheme:

1.	Purpose of the Scheme	To enable the Group and any entity in which any member of the Group holds an equity interest (the "Invested Entity") to recruit and retain high caliber employees and attract human resources that are valuable to the Group or the Invested Entity, to recognise the significant contributions of the participants to the growth of the Group or the Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to the participants to continue to contribute to the long term success and prosperity of the Group or the Invested Entity
2.	Participants of the Scheme	Any participant (including any director or employees, any consultant, advisors or agent engaged by or any vendor, supplier of goods or services or customer of or to any member(s) of the Group or any Invested Entity) as the Board may in its absolute discretion select, having regard to each person's qualification, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group or any Invested Entity
3.	Maximum number of shares	The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed thirty (30) per cent of the share capital of the Company from time to time
4.	Total number of shares available for issue upon exercise of all options under the Scheme	131,092,524 shares unless shareholders' approval has been obtained according to the requirements of the Listing Rules in force, being 10% of the issued share capital of the Company at the date of approval of the Scheme by the shareholders of the Company

DIRECTORS' REPORT

SHARE OPTION SCHEME (continued)

5.	Maximum entitlement of each participant under the Scheme	The total number of shares issued and to be issued upon exercise of the options granted to each participant under the Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed one (1) per cent of the issued share capital of the Company unless the same is approved by the shareholders of the Company in general meeting
6.	the period within which the shares must be taken up under an option	The option period shall be determined by the Board upon grant of each option, provided that it shall not exceed a period of ten (10) years commencing on the date on which the Board grants the options or such later date as the Board may decide
7.	the minimum period for which an option must be held before it can be exercised	Not applicable
8.	the amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The offer of an option made in accordance with the Scheme may be accepted within ten (10) business days from the date of offer and the amount payable on acceptable of the option is HK$1.00
9.	the basis of determining the subscription price	The subscription price shall be determined by the Board and shall not be less than the highest of: (a) the official closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the date of offer of the relevant option; (b) the average of the official closing price of the shares as stated in daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the date of offer of the relevant option; and (c) the normal value of a share of the Company
10.	the remaining life of the Scheme	The Scheme was adopted on 27 September 2004 and shall be valid and effective for a period of ten (10) years commencing from the date of adoption

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

(i) Long positions in shares of the Company

Name of Director	No. of shares of HK$0.02 each held	Capacity/ nature of interest	Approximate shareholding percentage (%)
Lun Chi Yim	711,108,037	Interest of controlled corporation/ Corporate interest	54.24

Note:

These 711,108,037 shares are held by Winland Wealth (BVI) Limited. Winland Wealth (BVI) Limited is wholly owned by Winland Stock (BVI) Limited which is in turn wholly owned by Mr. Lun Chi Yim. Accordingly, both Winland Stock (BVI) Limited and Mr. Lun Chi Yim are deemed to be interested in the said 711,108,037 shares under the SFO.

(ii) Long positions in shares of associated corporation

Name of associated corporation	Name of Director	No. of shares of US$1.00 each held	Capacity/ nature of interest	Shareholding percentage (%)
Winland Stock (BVI) Limited	Lun Chi Yim	1	Beneficial owner/ Personal interest	100
Winland Wealth (BVI) Limited	Lun Chi Yim	1	Interest of controlled corporation/ Corporate interest	100

Save as disclosed above, as at 31 March 2009, none of the Directors or chief executive of the Company or any of their respective associates had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which are required to be recorded under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, the following Directors were considered to have interests in the following businesses ("Competing Business") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as defined in the Listing Rules as set out below:

Name of Director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the Director in the entity
Lun Chi Yim	Winland Hotel Management Limited (Note)	Hotel management	As substantial shareholder and director
	Winland Finance Limited	Money lending	As substantial shareholder and director
Lun Yiu Kay Edwin	Winland Hotel Management Limited (Note)	Hotel management	As director
	Winland Finance Limited	Money lending	As director

Note:

Winland Hotel Management Limited has no hotel management business at present.

The Director interested in the above businesses will, as and when required under the Company's Bye-laws, abstain from voting on any resolution of the Board in respect of any arrangement or proposal in which he or any of his associates has a material interest.

The Directors are of the view that the Group is capable of carrying on its business independently from the Competing Business. When making decisions on the business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

CORPORATIONS AND PERSONS WHO HAD INTERESTS OR A SHORT POSITION WHICH WAS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31 March 2009, the following corporations and persons, other than the Directors whose interests are disclosed above, who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Long/short position	No. of shares of HK$0.02 each held	Capacity/ nature of interest	Approximate shareholding percentage (%)
Winland Wealth (BVI) Limited (Note i)	Long	711,108,037 (Note i)	Beneficial owner/ Personal interest	54.24
Suen Chui Fan (Note ii)	Long	711,108,037 (Note ii)	Interest of spouse/ Family interest	54.24
Winland Stock (BVI) Limited (Note iii)	Long	711,108,037 (Note iii)	Interest of controlled corporation/ Corporate interest	54.24

Notes:

i. Mr. Lun Chi Yim was deemed to be interested by virtue of the SFO in the 711,108,037 shares of the Company held by Winland Wealth (BVI) Limited which was wholly owned by Winland Stock (BVI) Limited, a company wholly-owned by Mr. Lun.

ii. Mr. Suen Chui Fan, the spouse of Mr. Lun Chi Yim, is deemed to be interested in Mr. Lun's shares which represented the same parcel of shares of the Company as held by Winland Wealth (BVI) Limited.

iii. Winland Stock (BVI) Limited has declared an interest in 711,108,037 shares by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 March 2008, which also constitute connected and continuing connected transactions under the Listing Rules and are disclosed in note 26 to the financial statements.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REVIEW BY AUDIT COMMITTEE

At the date of this report, the Audit Committee of the Company comprises three Independent Non-Executive Directors namely, Mr. Lam Yiu Pang Albert, Dr. Tse Kwing Chuen and Mr. Ng Hung Sui Kenneth. The Audit Committee has reviewed with the Company's auditors, BDO Limited, the audited financial statements for the year ended 31 March 2009 and has also discussed auditing, internal control and financial reporting matters of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

AUDITORS

Shu Lun Pan Horwath Hong Kong CPA Limited, the auditors of the Company for the financial years ended 31 March 2007 and 31 March 2008, changed their name to Shu Lun Pan Hong Kong CPA Limited and merged their business with BDO Limited on 1 May 2009, and that as a result, Shu Lun Pan Hong Kong CPA Limited have resigned as auditors of the Company with effect from 19 May 2009.

The Board considers that it is in the best interest of the Company if the auditors are able to continue to serve the Company under the more internationally renowned name of BDO Limited and has therefore appointed BDO Limited to fill the casual vacancy caused by the resignation of Shu Lun Pan Hong Kong CPA Limited as auditors of the Company on 25 May 2009. BDO Limited will hold office as auditors of the Company until the conclusion of the forthcoming annual general meeting.

The financial statements have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Lun Yiu Kay Edwin
Managing Director

Hong Kong, 3 July 2009

INDEPENDENT AUDITORS' REPORT

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

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TO THE SHAREHOLDERS OF MEXAN LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Mexan Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 76 which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2009 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chan Kam Wing, Clement
Practising Certificate no. P02038

Hong Kong, 3 July 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	5	**75,768**	74,804
Direct costs		**(25,356)**	(24,073)
Gross profit		**50,412**	50,731
Other revenue	5	**17,488**	582
Administrative expenses		**(39,560)**	(42,617)
Finance costs	6	**(10,201)**	(20,081)
Profit/(loss) before taxation	7	**18,139**	(11,385)
Taxation	8	**(4,234)**	(24)
Profit/(loss) for the year from continuing operations		**13,905**	(11,409)
Discontinued operations			
Loss for the year from discontinued operations	9	**—**	(822)
Profit/(loss) for the year		**13,905**	(12,231)
Attributable to:			
Equity holders of the Company		**14,066**	(11,619)
Minority interests		**(161)**	(612)
		13,905	(12,231)
Dividends	11	**—**	974,531
Basic earnings/(loss) per share attributable to equity holders of the Company (HK cents)			
— from continuing and discontinued operations	12	**1.07**	(0.89)
— from continuing operations	12	**1.07**	(0.82)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**613,976**	631,461
Intangible assets	15	**8,847**	10,014
Prepaid lease payments	16	**11,245**	11,547
Club debentures	18	**1,350**	1,350
		635,418	654,372
Current assets			
Inventories	19	**276**	348
Prepaid lease payments	16	**302**	302
Trade and other receivables, deposits and prepayments	20	**4,398**	3,655
Loans receivable	21	**125,225**	—
Cash and cash equivalents		**5,248**	8,478
		135,449	12,783
Current liabilities			
Other payables, deposits received and accrued charges		**7,354**	9,728
Amount due to a related company	26(c)	**—**	607
Amount due to a minority shareholder	26(c)	**6,414**	6,408
Dividend payable		**1,515**	1,522
Bank loans	22	**309,182**	203,625
Tax payable		**2,814**	24
		327,279	221,914
Net current liabilities		**(191,830)**	(209,131)
Total assets less current liabilities		**443,588**	445,241

CONSOLIDATED BALANCE SHEET

As At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Total assets less current liabilities		**443,588**	445,241
Non-current liabilities			
Bank loans	22	**213,271**	230,249
Deferred tax liabilities	25	**1,420**	—
		214,691	230,249
Net assets		**228,897**	214,992
EQUITY			
Share capital	23	**26,218**	131,092
Reserves		**203,452**	84,512
Equity attributable to equity holders of the Company		**229,670**	215,604
Minority interests		**(773)**	(612)
Total equity		**228,897**	214,992

On behalf of the Board

Lun Chi Yim	**Lun Yiu Kay Edwin**
Director	*Director*

The accompanying notes form part of these financial statements.

BALANCE SHEET

As At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**15**	—
Interests in subsidiaries	17	**219,930**	214,602
Club debentures	18	**1,350**	1,350
		221,295	215,952
Current assets			
Deposits and prepayments	20	**72**	66
Bank balances		**1,587**	5,466
		1,659	5,532
Current liabilities			
Other payables and accrued charges		**2,482**	3,610
Dividend payable		**1,515**	1,522
Amounts due to subsidiaries	17	**913**	919
		4,910	6,051
Net current liabilities		**(3,251)**	(519)
Net assets		**218,044**	215,433
EQUITY			
Share capital	23	**26,218**	131,092
Reserves	24	**191,826**	84,341
Total equity		**218,044**	215,433

On behalf of the Board

Lun Chi Yim	**Lun Yiu Kay Edwin**
Director	*Director*

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Share capital HK$'000	Share premium HK$'000 (Note 24(i))	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note 24(ii))	Capital reserves HK$'000	Exchange reserve HK$'000 (Note 24(iii))	Retained profits HK$'000	Attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007	131,092	57,556	129	—	12,156	45,129	955,692	1,201,754	—	1,201,754
Loss for the year	—	—	—	—	—	—	(11,619)	(11,619)	(612)	(12,231)
Transfer	—	—	—	—	(12,156)	—	12,156	—	—	—
Cash dividend	—	—	—	—	—	—	(89,995)	(89,995)	—	(89,995)
Dividend in specie	—	—	—	—	—	(45,129)	(839,407)	(884,536)	—	(884,536)
At 31 March 2008	131,092	57,556	129	—	—	—	26,827	215,604	(612)	214,992
Profit for the year	—	—	—	—	—	—	14,066	14,066	(161)	13,905
Reduction of share capital upon capital reorganisation (see Note 23)	(104,874)	—	—	104,874	—	—	—	—	—	—
At 31 March 2009	26,218	57,556	129	104,874	—	—	40,893	229,670	(773)	228,897

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		
Profit/(loss) before taxation from continuing operations	**18,139**	(11,385)
Loss before taxation from discontinued operations	**—**	(822)
Profit/(loss) before taxation	**18,139**	(12,207)
Interest income	**(12)**	(538)
Interest expenses	**10,180**	20,052
Loss on disposal of property, plant and equipment	**—**	171
Depreciation of property, plant and equipment	**17,635**	17,823
Amortisation of intangible assets	**1,167**	2,904
Release of prepaid lease payments to profit or loss	**302**	151
Operating cash flows before working capital changes	**47,411**	28,356
Decrease/(increase) in inventories	**72**	(348)
(Increase)/decrease in trade and other receivables, deposits and prepayments	**(743)**	90,850
Increase in loans receivable	**(125,225)**	—
Decrease in amounts due from related companies	**—**	380
Decrease in other payables, deposits received and accrued charges	**(2,286)**	(3,266)
(Decrease)/increase in amount due to a related company	**(607)**	607
Net cash (outflow)/inflow from operations	**(81,378)**	116,579
Interest received	**12**	538
Tax paid	**(24)**	—
Net cash (outflow)/inflow from operating activities	**(81,390)**	117,117

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(150)**	(49)
Proceed from disposal of property, plant and equipment	—	1
Purchase of leasehold land	—	(12,000)
Net cash outflow from investing activities	**(150)**	(12,048)
Cash flow from financing activities		
New bank loans	**108,500**	444,000
Repayment of bank loans	**(19,921)**	(390,333)
Repayment of other loans	—	(59,413)
Advance from a minority shareholder	**6**	6,408
Interest paid	**(10,268)**	(20,480)
Distribution in specie	—	(40,371)
Dividend paid	**(7)**	(89,569)
Net cash inflow/(outflow) from financing activities	**78,310**	(149,758)
Decrease in cash and cash equivalents	**(3,230)**	(44,689)
Cash and cash equivalents at beginning of year	**8,478**	53,167
Cash and cash equivalents at end of year	**5,248**	8,478
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	**5,248**	8,478

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Mexan Limited (the "Company") was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of registered office and principal place of operation of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in Note 31. The Company and its subsidiaries are collectively referred to as the "Group".

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC)") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

In particular, the adoption of HK(IFRIC) — Int 11 "HKFRS 2 — Group and treasury share transactions", HK(IFRIC) — Int 12 "Service concession arrangements", HK(IFRIC) — Int 14 "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

At the date of authorisation of the financial statements, the following HKFRSs, HKASs and interpretations were issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) — Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendments)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendments)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) — Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) — Int 18	Transfers of assets from customers	(vi)
Various	Annual improvements to HKFRSs 2008	(vii)
Various	Annual improvements to HKFRSs 2009	(viii)

NOTES TO THE FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Effective date

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 July 2008
(iv) Annual periods beginning on or after 1 October 2008
(v) Annual periods ending on or after 30 June 2009
(vi) Transfers of assets from customers received on or after 1 July 2009
(vii) Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs
(viii) Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRSs

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of initial application.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of financial statements

(i) The financial statements are prepared under the historical cost convention.

(ii) The financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern, notwithstanding the fact that the Group suffered net current liabilities of HK$191,830,000 as at 31 March 2009 (2008: HK$209,131,000). The validity of the Company's and the Group's ability to continue as a going concern depends on the success of the Group's future operations and the ability of the Group to renew or replace the banking facilities as they fall due.

The Group has obtained its principal banker's renewed banking facilities letter in May 2009 which the bank will extend its banking facilities to the Group of up to HK$581,000,000 for the next coming twelve months. Drawdown from this facility will be subject to the bank's normal approval procedures. As at 31 March 2009, about HK$9,500,000 of these facilities still remain unused.

Based on the above, the directors believe that the Group and the Company will have sufficient cash resources to satisfy their future working capital and other financing requirements. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

(c) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2009. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

All intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Consolidation (continued)

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to write off their costs less accumulated impairment losses to their residual values on a straight line basis over their estimated useful lives. The principal annual rates of depreciation are as follows:

Hotel property	2.5%
Furniture, fixtures and equipment	10% — 20%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to profit or loss.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Prepaid lease payment

Prepaid lease payment under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(f) Intangible assets

Intangible assets represents the cost of acquisition of a license to install neon light signage for displaying the name of property and is amortised on a straight line basis over its estimated useful life.

(g) Club debentures

Club debentures are stated at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Impairment of tangible and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Loans and receivables

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including other payables and borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns and other similar allowances.

Revenue from room rental, food and beverage sales and other ancillary services in the hotel are recognised when relevant services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement scheme obligations

The Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by the Group to the scheme are charged to profit or loss as incurred.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by the laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. The Group and the employees contribute to the MPF Scheme (the "MPF contributions") in accordance with the MPF Schemes Ordinance. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Segment reporting

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets comprise properties, deposits for properties and investments, operating assets and bank balances. Segment liabilities comprise operating liabilities, taxation, bank borrowings and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and leasehold land. In respect of geographical segment reporting, total assets and capital expenditure are based on where the assets are located.

(r) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(t) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

(a) Estimation of useful lives and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and residual value of its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives and residual value of these property, plant and equipment of similar nature and functions.

Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Assessment of impairment of loans receivable

The Group's management determines the allowance for impairment on loans receivable. This estimate is based on the credit history of its borrowers and current market conditions. Management reassesses the provision at each balance sheet date.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(c) Assessment of impairment of assets other than loans receivable

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. In the analysis of fair value, the Group uses independent valuations which are based on various assumptions and estimates.

5. TURNOVER AND OTHER REVENUE

Turnover is the Group's revenue, which represents the service provided, net of rebates and discounts arrived from hotel operation. An analysis of the Group's turnover and other revenue are as follows:

	2009 HK$'000	2008 HK$'000
From continuing operations		
Turnover		
Hotel operations and management services	75,768	74,804
Other revenue		
Loan interest income and arrangement fee income (Note)	17,083	—
Bank interest income	12	217
Other interest income	—	321
Other income	393	44
	17,488	582
Total revenues	93,256	75,386
From discontinued operations (Note 9)		
Turnover		
Toll road income	—	5,586
Other revenue		
Bank interest income	—	11
Total revenues	—	5,597

Note: During the year, the Group had entered into several loan agreements with individual third party borrowers. The interest rates and terms of the loan receivables are detailed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

5. TURNOVER AND OTHER REVENUE (continued)

(a) Primary reporting format — business segments

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment. The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

During the year, turnover, operating profit and assets of the Group are entirely derived from one business and which is the hotel operation in Hong Kong. Accordingly, no analysis by business segment is presented.

For the year ended 31 March 2008, the Group mainly organised into hotel operation and toll road operation. On 12 April 2007, the Group had disposed of its toll road operation and is detailed in Note 9.

	Continuing operations	Discontinued operations		
	Hotel operation HK$'000	Toll road operation HK$'000	Unallocated HK$'000	Consolidated HK$'000
Turnover	74,804	5,586		80,390
Segment results	17,697	2,981		20,678
Unallocated corporate income and expenses (net)				(10,413)
				10,265
Interest income				549
Finance costs				(23,021)
Loss before taxation				(12,207)
Taxation				(24)
Loss for the year				(12,231)
Segment assets	648,254	—		648,254
Unallocated corporate assets				18,901
Consolidated total assets				667,155
Segment liabilities	440,529	—		440,529
Unallocated corporate liabilities				11,634
Consolidated total liabilities				452,163
Capital expenditure	49	—	12,000	12,049
Depreciation	17,614	209	—	17,823
Amortisation	1,167	1,737	—	2,904

NOTES TO THE FINANCIAL STATEMENTS

5. TURNOVER AND OTHER REVENUE (continued)

(b) Secondary reporting format — geographical segments

The following is an analysis of the Group's turnover, analysed by the geographical markets:

	2009 HK$'000	2008 HK$'000
From continuing operations		
Hong Kong	**75,768**	74,804
From discontinued operations		
People's Republic of China	—	5,586
	75,768	80,390

The following is an analysis of the carrying amount of segment assets, additions to intangible assets, property, plant and equipment, and leasehold land analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to intangible assets, property, plant and equipment, and leasehold land	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
From continuing operations				
Hong Kong	**770,867**	667,155	**150**	12,049

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCE COSTS

Finance costs comprise the following:

	2009 HK$'000	2008 HK$'000
From continuing operations		
Interest on bank loans		
— wholly repayable within five years	**5,149**	9,763
— not wholly repayable within five years	**5,031**	9,859
Interest on other loans wholly repayable within five years	**—**	430
Total borrowing costs incurred	**10,180**	20,052
Bank charges	**21**	29
	10,201	20,081
From discontinued operations (Note 9)		
Interest on bank loans and overdrafts not wholly repayable within five years	**—**	2,940

NOTES TO THE FINANCIAL STATEMENTS

7. PROFIT/(LOSS) BEFORE TAXATION

	2009	2008
	HK$'000	HK$'000
Profit/(loss) before taxation (including continuing and discontinued operations) is stated after charging the following:		
Cost of services provided	**25,356**	24,073
Auditors' remuneration	**410**	410
Depreciation of property, plant and equipment		
— from continuing operations	**17,635**	17,614
— from discontinued operations	**—**	209
	17,635	17,823
Amortisation of intangible assets		
— from continuing operations	**1,167**	1,167
— from discontinued operations	**—**	1,737
	1,167	2,904
Release of prepaid lease payments to profit or loss	**302**	151
Loss on disposal of property, plant and equipment	**—**	171
Staff costs (including directors' emoluments as disclosed in Note 13)		
— Salaries and allowances	**23,800**	24,970
— Retirement benefit cost	**929**	881
	24,729	25,851

The MPF contributions made by the Group for the eligible employees in Hong Kong during the year amounted to HK$929,000 (2008: HK$881,000).

NOTES TO THE FINANCIAL STATEMENTS

8. TAXATION

(a) With effect from the year of assessment 2008/09, Hong Kong profits tax is provided at the rate of 16.5% (2008: 17.5%) on the estimated accessible profits for the year.

The income tax in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current year tax charge	**2,814**	24
Deferred tax charge (Note 25)	**1,420**	—
	4,234	24

(b) The taxation charge for the year can be reconciled to the accounting profit/(loss) as follows:

	2009 HK$'000	2008 HK$'000
Profit/(loss) before taxation		
— from continuing operations	**18,139**	(11,385)
— from discontinued operations	**—**	(822)
	18,139	(12,207)
Calculated at the tax rate of 16.5% (2008: 17.5%)	**2,993**	(2,136)
Tax effect of income and expenditure not subject to taxation	**282**	119
Tax effect of expenses not deductible for tax purposes	**2,318**	1,900
Tax effect of income non-taxable for tax purpose	**(272)**	(38)
Unrecognised tax losses and deductible temporary differences	**—**	179
Utilisation of tax losses previously not recognised	**(1,087)**	—
Taxation charge	**4,234**	24

NOTES TO THE FINANCIAL STATEMENTS

9. DISCONTINUED OPERATIONS

On 12 April 2007, the Group disposed of its business of toll road operation and management by distribution in specie of shares in Inventive Limited and its subsidiaries.

The results of the discontinued operations for the year ended 31 March 2008 are set out below.

	Notes	HK$'000
Turnover	5	5,586
Direct costs		(1,738)
Gross profit		3,848
Other revenue	5	11
Administrative expenses		(1,741)
Finance costs	6	(2,940)
Loss before taxation		(822)
Taxation		—
Loss for the year		(822)

	HK$'000
Net cash inflow from operating activities	4,679
Net cash inflow from investing activities	—
Net cash outflow from financing activities	(1,990)
	2,689

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year includes loss of HK$7,449,000 (2008: HK$10,860,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2008:HK$974,531,000). Details for the paid and declared dividend for the year ended 31 March 2008 are as follows:

	2008 HK$'000
Distribution in specie (note (a))	884,536
Special cash dividend, HK$0.06865 per share (note (b))	89,995
	974,531

Notes:

(a) Pursuant to the resolution passed by the independent shareholders in the special general meeting held on 12 April 2007, the Group distributed the net assets of its subsidiaries with a carrying amount of HK$884,536,000 to shareholders in the form of dividend in specie for the year ended 31 March 2008.

(b) On 12 April 2007, a special cash dividend was approved by shareholders at the special general meeting and declared.

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data.

Profit/(loss)

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year from continuing operations	**14,066**	(10,797)
Loss for the year from discontinued operations (note)	—	(822)
Profit/(loss) for the year attributable to equity holders of the Company	**14,066**	(11,619)

NOTES TO THE FINANCIAL STATEMENTS

12. EARNINGS/(LOSS) PER SHARE (continued)

Number of shares

	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,310,925,244**	1,310,925,244

No diluted earnings/(loss) per share is shown as the Company has no potential dilutive ordinary shares at 31 March 2009 and 2008.

Note:

Basic loss per share from the discontinued operations is 0.06 HK cents, which is calculated based on the loss for the year ended 31 March 2008 from discontinued operations attributable to equity holders of the Company of HK$822,000 and the weighted average number of ordinary shares as at 31 March 2008 for the purpose of basic loss per share detailed above.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The emoluments paid or payable to each of the directors of the Company during the year are as follows:

For the year ended 31 March 2009

Name of director	Fees	Salaries, allowances and benefits in kind	MPF contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Lun Chi Yim	4	—	—	4
Lun Yiu Kay Edwin	3	—	—	3
Ng Tze Ho Joseph	3	—	—	3
	10	—	—	10
Independent non-executive directors				
Tse Kwing Chuen	100	—	—	100
Ng Hung Sui Kenneth	100	—	—	100
Lam Yiu Pang Albert	100	—	—	100
	300	—	—	300
Total	310	—	—	310

NOTES TO THE FINANCIAL STATEMENTS

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(continued)

(a) (continued)

For the year ended 31 March 2008

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	MPF contributions HK$'000	Total HK$'000
Executive directors				
Lun Chi Yim (i)	4	—	—	4
Lun Yiu Kay Edwin (i)	3	—	—	3
Ng Tze Ho Joseph (i)	3	—	—	3
Lau Kan Shan (ii)	—	466	2	468
Tse On Kin (iii)	—	1,320	4	1,324
Ching Yung (iii)	—	259	4	263
	10	2,045	10	2,065
Independent non-executive directors				
Tse Kwing Chuen (i)	95	—	—	95
Ng Hung Sui Kenneth (i)	95	—	—	95
Lam Yiu Pang Albert (i)	95	—	—	95
Chan Wai Dune (iii)	62	—	—	62
Lau Wai (iii)	31	—	—	31
Tong Kwai Lai (iii)	31	—	—	31
	409	—	—	409
Total	419	2,045	10	2,474

(i) Appointed on 19 April 2007
(ii) Resigned on 7 May 2007
(iii) Resigned on 24 July 2007

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31 March 2009 and 2008. Subsequently on 3 July 2009, the executive directors of the Company agreed to waive their directors' fees for the period from 19 April 2009 to 18 April 2010.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2009 were not the directors of the Company (2008: one). The emoluments payable to the five (2008: four) individuals during the year are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**3,533**	2,869
MPF contributions	**48**	36
	3,581	2,905

Their emoluments fell within the emolument band of HK$0 — HK$1,000,000 for the years ended 31 March 2009 and 2008.

(c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

NOTES TO THE FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel Property HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 April 2007	686,275	2,430	688,705
Additions	—	49	49
Disposals	—	(184)	(184)
At 31 March 2008	686,275	2,295	688,570
Additions	—	150	150
Disposals	—	(2)	(2)
At 31 March 2009	**686,275**	**2,443**	**688,718**
Accumulated depreciation			
At 1 April 2007	38,603	904	39,507
Charge for the year	17,157	457	17,614
Written back on disposal	—	(12)	(12)
At 31 March 2008	55,760	1,349	57,109
Charge for the year	17,157	478	17,635
Written back on disposal	—	(2)	(2)
At 31 March 2009	**72,917**	**1,825**	**74,742**
Carrying value			
At 31 March 2009	**613,358**	**618**	**613,976**
At 31 March 2008	630,515	946	631,461

At 31 March 2009, the Group's hotel property with a carrying value of HK$613,358,000 (2008: HK$630,515,000) was located in Hong Kong under lease of less than 50 years and was pledged to a bank for granting loans to the Group amounting to HK$522,453,000 (2008: HK$433,874,000) (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS

Group

	Total
	HK$'000
Cost	
At 1 April 2007, 31 March 2008 and 2009	**14,000**
Accumulated amortisation	
At 1 April 2007	2,819
Charge for the year	1,167
At 31 March 2008	3,986
Charge for the year	1,167
At 31 March 2009	**5,153**
Carrying value	
At 31 March 2009	**8,847**
At 31 March 2008	10,014

Licence to install neon light signage is amortised over its estimated useful life of twelve years. The amortisation charged on the licence during the year is included in administrative expenses in the consolidated income statement.

16. PREPAID LEASE PAYMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 April	**11,849**	—
Additions	**—**	12,000
Release to profit or loss	**(302)**	(151)
At 31 March	**11,547**	11,849
Analysed for reporting purpose as		
— Current asset	**302**	302
— Non-current asset	**11,245**	11,547
	11,547	11,849

The prepaid lease payments represent the Group's interests in medium-term leasehold land in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

17. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**255,290**	260,020
	255,291	260,021
Less: Provision for impairment loss	**(35,361)**	(45,419)
	219,930	214,602

The amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans.

The amounts due to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayments.

Particulars of principal subsidiaries are set out in Note 31 to the financial statements.

18. CLUB DEBENTURES

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Club membership — at cost	**1,350**	1,350

The club membership does not have a quoted market price in an active market and whose fair value cannot be reliably measured.

19. INVENTORIES

The amount represents food and beverage, admission tickets for resale and other consumables.

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Group		
Trade receivables	**3,098**	2,609
Other receivables	**79**	132
Deposits and prepayments	**1,221**	914
	4,398	3,655
Company		
Deposits and prepayments	**72**	66

(a) The Group allows a credit period from nil to one month to its trade customers. All the trade receivables are expected to be recovered within one year. The following is an ageing analysis of trade receivables at the balance sheet date:

	2009 HK$'000	2008 HK$'000
Within 30 days	**2,797**	2,513
31 — 60 days	**301**	27
61 — 90 days	**—**	—
Over 90 days	**—**	69
	3,098	2,609

(b) No material allowance for doubtful debts was made during the year. All of the Company's trade receivables were neither past due nor impaired, which relate to a wide range of customers for whom there was no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

21. LOANS RECEIVABLE

	Group	
	2009	2008
	HK$'000	HK$'000
Facilities (note)	**108,900**	—
Interest receivables	**16,325**	—
	125,225	—

At 31 March 2009, the effective interest rate ranged from 1% to 2% per month.

Note:

Out of the total HK$108,900,000 loan facilities noted as at 31 March 2009, HK$104,000,000 loan facility ("Facility 1") was entered by Winland Mortgage Limited ("Winland Mortgage"), a wholly owned subsidiary of the Company, with a borrower (the "Borrower"), a company incorporated in Hong Kong with limited liability and is principally engaged in property holding for a period of four months from the date of drawdown. Facility 1 was drawdown by the Borrower on 8 August 2008. A non-refundable arrangement fee of 0.8% and 2.0% monthly interest rate was charged on Facility 1.

Facility 1 was secured in favour to Winland Mortgage by (i) debenture including a fixed legal charge on a property of the Borrower, a hotel property named Tatami Hampton Hotel, No. 11 Changsha Street, Kowloon of Kowloon Inland lot No. 7339 (the "Property") and floating charge on all the Borrower's assets, undertakings and uncalled capital; (ii) assignment of sales proceeds from the sale of the Property; (iii) assignment of the relevant insurance policies of adequate coverage relating to the Property; (iv) irrevocable power of attorney to deal with the Property; and (v) other ancillary or further documents or securities as Winland Mortgage or its legal advisors required.

With reference to announcements made by the Company dated 5 December 2008 and 11 June 2009, the Company had extended the repayment period of Facility 1 upon the request of the Borrower for a further term of 6 months and 1 month respectively with interest charged on the outstanding amount of Facility 1. Facility 1 will be expired on 7 July 2009 and management will consider to pursuit legal action if no repayment received from the Borrower.

As at 31 March 2009, the market value of the Property is HK$145,000,000 which is above the principal amount of Facility 1 and interest charged to the Borrower and the management of the Group therefore believed no impairment on Facility 1 should be made.

22. BANK LOANS

	Group	
	2009	2008
	HK$'000	HK$'000
Bank instalment loans, secured	**229,953**	244,874
Bank revolving loans, secured	**292,500**	189,000
	522,453	433,874

All the bank loans are denominated in Hong Kong Dollars, carry a variable interest rate with reference to HIBOR. The bank installment loans are repayable in monthly installments until May 2022. The bank revolving loans are granted with a period of one to three months.

At 31 March 2009, the effective interest rate of the bank installment loans and revolving loans are 0.75% and 0.88% (2008: 2.493% and 2.158%) respectively.

The loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company and guarantees from the directors of the Group and their related companies.

At the balance sheet date, the Group's bank loans are repayable as follows:

	2009	2008
	HK$'000	HK$'000
On demand or within one year	**309,182**	203,625
After one year but within two years	**16,807**	14,989
After two year but within five years	**51,181**	47,247
After five years	**145,283**	168,013
	213,271	230,249
	522,453	433,874

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE CAPITAL

	Nominal value per share	Number of shares	Amount
	HK$		HK$'000
Authorised:			
At 1 April 2007 and 31 March 2008	0.10	2,000,000,000	200,000
Effect on the Capital Reorganisation (note)		1,000,000,000	(140,000)
At 31 March 2009	0.02	3,000,000,000	60,000
Issued and fully paid:			
At 1 April 2007 and 31 March 2008	0.10	1,310,925,244	131,092
Effect on the Capital Reorganisation (note)		—	(104,874)
At 31 March 2009	0.02	1,310,925,244	26,218

Note:

Pursuant to a special resolution passed at the special general meeting of the Company held on 24 October 2008, the Company undergone a capital reorganisation (the "Capital Reorganisation") with effect on 31 October 2008 as follows:

(i) the par value of the ordinary shares in the existing issued shares of the Company was reduced from HK$0.10 to HK$0.02 by the cancellation of HK$0.08 of the paid-up capital on each Existing Share ("Capital Reduction");

(ii) each of the authorised but unissued shares in the capital of the Company of par value HK$0.10 each shall be sub-divided into 5 shares of par value HK$0.02 each ("Sub-division") upon the Capital Reduction becoming effective.

During the year 689,074,756 authorised but unissued shares of HK$0.10 each were sub-divided into 5 shares of HK$0.02 each resulting in a total of 3,445,373,780 authorised but unissued shares of HK$0.02 each immediately after the Sub-division of shares; and

(iii) immediately following the Sub-division, the authorised but unissued shares together with the authorised and issued shares of the Company were 4,756,299,024 shares of HK$0.02 each and 1,756,299,024 shares of HK$0.02 each amounted to HK$35,125,980 were cancelled resulted from the Capital Reorganisation of the Company.

As at 31 March 2009, the authorised share capital of the Company was HK$60,000,000 divided into 3,000,000,000 shares with par value of HK$0.02 each.

23. SHARE CAPITAL (continued)

Details of the Capital Reorganisation are set out in the circular dated 2 October 2008 issued by the Company.

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

24. RESERVES

Nature and purpose of reserves

(i) Share premium

The balance represents the premium arising from the issue of shares at a price in excess of their par value per share.

(ii) Contributed surplus

As advised by the Company's Bermuda counsel on 5 September 2008, the credit arising on the cancellation of the share capital under the Capital Reorganisation may be used in such manner as including contributing the credit arising to the Company's contributed surplus account, which is a distributable reserve of the Company, after the approval of the shareholders at the special general meeting.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(r).

NOTES TO THE FINANCIAL STATEMENTS

24. RESERVES (continued)

Nature and purpose of reserves (continued)

(iv) Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2007	57,556	129	—	12,156	999,891	1,069,732
Loss for the year	—	—	—	—	(10,860)	(10,860)
Transfer	—	—	—	(12,156)	12,156	—
Cash dividend	—	—	—	—	(89,995)	(89,995)
Dividend in specie	—	—	—	—	(884,536)	(884,536)
At 31 March 2008	57,556	129	—	—	26,656	84,341
Profit for the year	—	—	—	—	2,611	2,611
Reduction of share capital upon Capital Reorganisation	—	—	104,874	—	—	104,874
At 31 March 2009	**57,556**	**129**	**104,874**	**—**	**29,267**	**191,826**

25. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2008: 17.5%).

The movement on the deferred tax liabilities is as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
At 1 April	—	—
Deferred taxation charged to profit or loss (Note 8)	**1,420**	—
At 31 March	**1,420**	—

25. DEFERRED TAX LIABILITIES (continued)

The movement in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

	Accelerated tax depreciation		Tax losses		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 April	**4,417**	3,903	**(4,417)**	(3,903)	**—**	—
Charged to profit or loss	**756**	782	**664**	(782)	**1,420**	—
Effect of change in tax rate	**—**	(268)	**—**	268	**—**	—
At 31 March	**5,173**	4,417	**(3,753)**	(4,417)	**1,420**	—

Deferred income tax assets are recognised for tax losses carry forwards and deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. Details of unrecognised temporary differences as at the year end are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Unutilised tax losses	**58,509**	64,332

The tax losses as at 31 March 2009 may be carried forward indefinitely. The Group and the Company had no other material unprovided deferred tax at 31 March 2009 and 2008.

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY TRANSACTIONS

As at 31 March 2009, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which incorporated in the British Virgin Islands.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) For the year ended 31 March 2008, the Group paid rental expenses and management fee amounting to HK$59,000 and HK$381,000 to subsidiaries of its former holding company. These constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) As at 31 March 2009, the Group's bank loans of HK$522,453,000 (2008: HK$433,874,000) were secured by personal guarantees from Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin, directors of the Company, and corporate guarantees from Winland Finance Limited, Winland Enterprises Limited and Falcome Company Limited which are the related parties of the Company.

(c) Amounts due to a related company and minority shareholder are unsecured, interest free and repayable on demand.

(d) The remuneration of directors as disclosed in Note 13 and other members of key management during the year was as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,843**	5,333
MPF contributions	**48**	46
	3,891	5,379

27. CONTINGENT LIABILITY

At 31 March 2009, the Company had provided guarantees to a bank in respect of loans granted to its subsidiaries amounting to HK$522,453,000 (2008: HK$433,874,000).

At the balance sheet date, the Group had no significant contingent liabilities.

28. CAPTIAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Notes 22, cash and cash equivalents and equity attributable to equity holders of the Company, comprising share capital and reserves as disclosed in Notes 23 and 24 respectively.

The Group's management reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The gearing ratio at the year end was as follows:

	2009	2008
	HK$'000	HK$'000
Debt	**522,453**	433,874
Equity	**228,897**	214,992
Debt to equity ratio	**228%**	202%

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Group's principal financial assets are cash and bank balances, trade and other receivables and loans receivable, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the balance sheets are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentrations of credit risk apart from the loans receivable as detailed in Note 21. It has policies in place to ensure that transactions are carried out only with customers with an appropriate credit history and the management continuously monitors the level of exposure to ensure follow-up action is taken.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2009, the Group has total available unutilised short-term bank loan facilities of approximately HK$9,500,000 (2008: HK$111,000,000).

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

The Group	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but Less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009						
Other payables, deposits received and accrued charges	7,354	7,354	7,354	—	—	—
Amount due to minority shareholder	6,414	6,414	6,414	—	—	—
Dividend payable	1,515	1,515	1,515	—	—	—
Bank loans	522,453	534,025	310,844	18,344	55,030	149,807
	537,736	549,308	326,127	18,344	55,030	149,807
2008						
Other payables, deposits received and accrued charges	9,728	9,728	9,728	—	—	—
Amount due to a related company	607	607	607	—	—	—
Amount due to minority shareholder	6,408	6,408	6,408	—	—	—
Dividend payable	1,522	1,522	1,522	—	—	—
Bank loans	433,874	479,698	209,833	20,496	61,488	187,881
	452,139	497,963	228,098	20,496	61,488	187,881

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value and cash flow interest rate risk

The Group's primarily exposure to interest bearing assets mainly relates to loan receivables. The interests of loan receivables are fixed. The interests rates and terms of loan receivables are detailed in Note 21. Other than loan receivables, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 22 to the financial statements. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

Sensitivity analysis

At 31 March 2009, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately HK$2,463,000 (2008: HK$2,167,798).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for loans outstanding in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

(d) Foreign exchange risk

Each member of the group company mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

29. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2008.

The fair value of interest-bearing loans and borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(a) The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2009 and 2008 may be categorised as follows:

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**133,650**	11,219
Financial liabilities		
Financial liabilities measured at amortised cost	**529,397**	452,018

NOTES TO THE FINANCIAL STATEMENTS

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31 March 2009 are set out below:

Name of subsidiary	Place of incorporation and operation	Particulars of capital	Percentage holding 2009	Percentage holding 2008	Principal activities
Shares held indirectly:					
City Promenade Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Hotel operation
Perfect Plan Development Limited	Hong Kong	100 ordinary shares of HK$1 each	**51**	51	Property holding
Winland Mortgage Limited	Hong Kong	1 ordinary share of HK$1 each	**100**	100	Money lending business

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 3 July 2009.

FINANCIAL SUMMARY

	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Year ended 31 March					
Turnover	**75,768**	80,390	239,268	171,485	104,129
Profit/(loss) attributable to equity holders of the Company	**14,066**	(11,619)	(92,304)	(108,876)	(132,625)
Assets and liabilities					
As at 31 March					
Total assets	**770,867**	667,155	3,326,954	3,323,581	3,218,164
Total liabilities	**(541,970)**	(452,163)	(2,125,200)	(2,063,978)	(1,608,480)
Minority interests	**773**	612	—	—	—
Equity attributable to equity holders of the Company	**229,670**	215,604	1,201,754	1,259,603	1,609,684

PARTICULARS OF PRINCIPAL PROPERTY

HOTEL PROPERTY

Particulars of the Group's hotel property as at 31 March 2009 are as follows:

Address	Type	Tenure	Group'sinterest
Hotel 2 Rambler Crest No. 1 Tsing Yi Road Tsing Yi New Territories Hong Kong	Commercial	Medium lease	100%