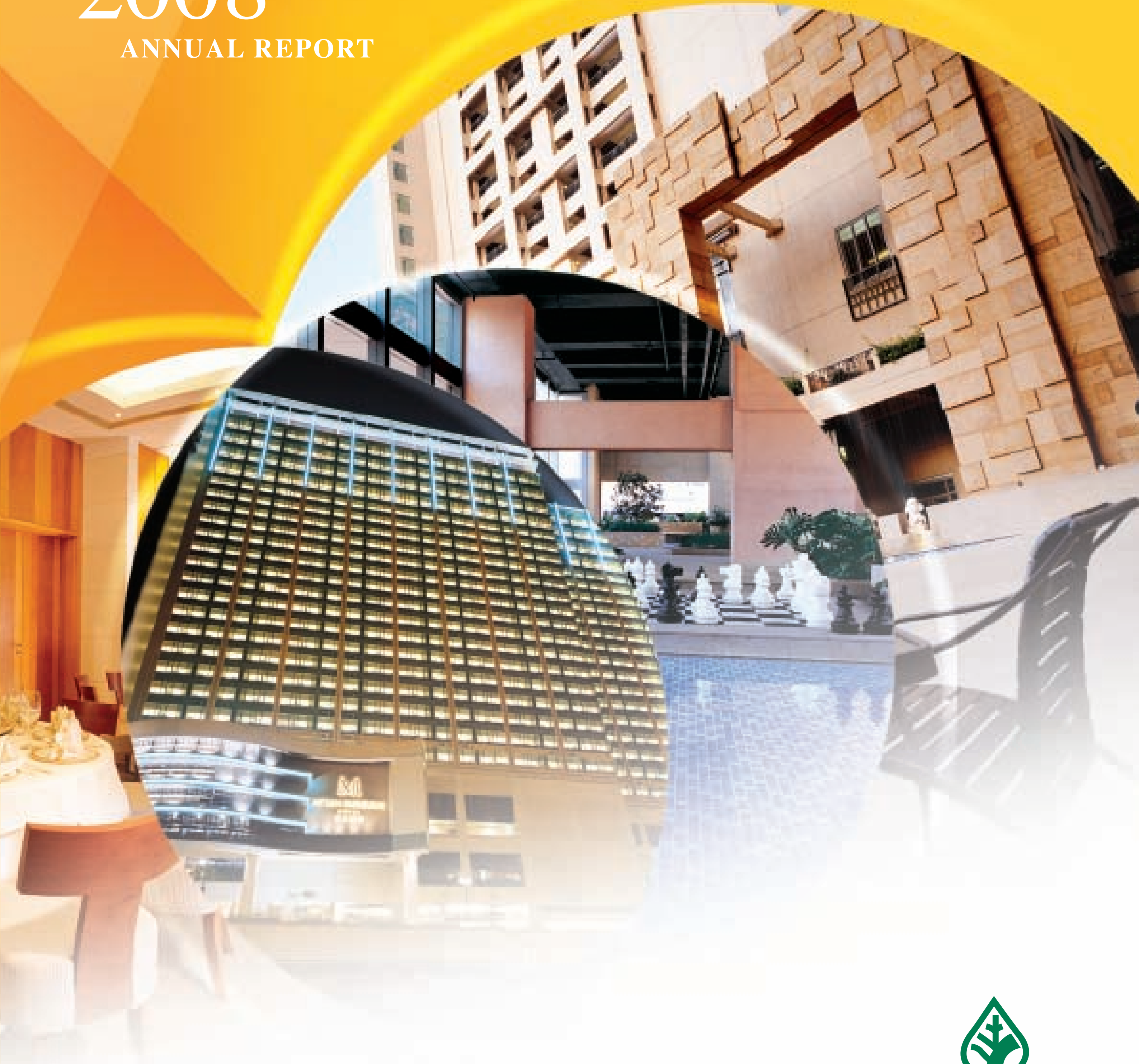
2008
ANNUAL REPORT



MEXAN LIMITED
茂 盛 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code : 22

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Lun Chi Yim *(Chairman)*
(appointed on 19 April 2007)
Lun Yiu Kay Edwin *(Managing Director)*
(appointed on 19 April 2007)
Ng Tze Ho Joseph
(appointed on 19 April 2007)
Lau Kan Shan
(resigned on 7 May 2007)
Tse On Kin
(resigned on 24 July 2007)
Ching Yung
(resigned on 24 July 2007)

Independent Non-Executive Directors:

Tse Kwing Chuen
(appointed on 19 April 2007)
Ng Hung Sui Kenneth
(appointed on 19 April 2007)
Lam Yiu Pang Albert
(appointed on 19 April 2007)
Chan Wai Dune
(resigned on 24 July 2007)
Lau Wai
(resigned on 24 July 2007)
Tong Kwai Lai
(resigned on 24 July 2007)

COMPANY SECRETARY

Nip Suk Ching	(appointed on 12 April 2007)
Chan Wai Ming	(resigned on 12 April 2007)

QUALIFIED ACCOUNTANT

Nip Suk Ching

PRINCIPAL BANKERS

Dah Sing Bank, Limited
The Hongkong and Shanghai Banking
Corporation Limited
Industrial and Commercial Bank of China
(Asia) Limited

AUDITOR

Shu Lun Pan Horwath Hong Kong CPA Limited
20th Floor, Central Plaza
18 Harbour Road
Wanchai
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 REGISTRARS

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH REGISTRARS 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

On 12 April 2007, Winland Wealth (BVI) Limited acquired the shares of the Company from Mexan Group Limited and became the controlling shareholder of the Company. On the same date, the Company completed a group reorganisation, with the result that the Company remains as a listed company and carries on the principal business of hotel investment and operation.

There was a change in the composition of the Board during April 2007 to July 2007. Six directors were appointed onto the Board on 19 April 2007 and another six directors resigned during May 2007 to July 2007.

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

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, 9 July 2008

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP REORGANISATION

On 2 January 2007, the Company's ultimate controlling party, Mexan Group Limited ("MGL") entered into a share sale agreement (the "Agreement") with Winland Wealth (BVI) Limited ("Winland Wealth"), pursuant to which Winland Wealth agreed to acquire 964,548,303 shares of Mexan Limited (the "Company") from MGL, representing approximately 73.58% of the existing issued share capital of the Company. Completion of the Agreement is subject to, inter alia, approval by independent shareholders of the Company of the special cash dividend and the group reorganisation (the "Group Reorganisation").

Pursuant to the Group Reorganisation, (i) the Company will continue to be a listed company, together with its subsidiaries (the "Remaining Group") will be carrying on the Group's business of hotel investment and operation (the "Remaining Business"); (ii) Inventive Limited ("Inventive") and its subsidiaries (the "Inventive Group") will be carrying on the businesses of the Group, including the Group's toll road operation and management as well as investment holding, other than the Remaining Business; and (iii) the shareholders will receive by way of distribution in specie the share of Inventive on the basis of one share of Inventive for each share of the Company held.

The Group Reorganisation was completed on 12 April 2007.

RESULTS

As resulted from the disposal of Inventive Group, the results generated from the Remaining Group and the Inventive Group were represented as continuing operations and discontinued operations respectively.

Turnover of the Group for the year ended 31 March 2008 amounted to approximately HK$80.4 million, representing a decrease of 66% compared to last year. Turnover for the year under review included the turnover generated from continuing operations, i.e. the operation of Mexan Harbour Hotel (the "Hotel") of approximately HK$74.8 million, while the turnover of the Hotel amounted to approximately HK$79.4 million for last year. Turnover for the year under review also included turnover of approximately HK$5.6 million generated from discontinued operations, representing the turnover generated from the operation of the Ningbo Beilun Port Expressway (the "Expressway") for about 1/3 month of April 2007, while turnover from discontinued operations for last year amounted to approximately HK$159.8 million, mainly generated from the full year operation of the Expressway of approximately HK$159.7 million.

The Group recorded a loss of approximately HK$12.2 million for the year ended 31 March 2008, which comprised of the loss of approximately HK$11.4 million generated from continuing operations and the loss of approximately HK$0.8 million generated from discontinued operations. The loss of approximately HK$92.3 million for last year comprised of the loss of approximately HK$46.2 million generated from continuing operations and the loss of approximately HK$46.1 million generated from discontinued operations. The loss was reduced as the Inventive Group was disposed of in April 2007 and the administrative expenses of the Group was significantly reduced after the Group Reorganisation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

On 12 April 2007, the Group completed the Group Reorganisation. The Group will be carrying on the business of hotel investment and operation. The Group operates the Mexan Harbour Hotel.

Mexan Harbour Hotel, an 800-room four star hotel in Tsing Yi, maintained an average occupancy rate of approximately 89% for the year under review, while according to the figure provided by the Census and Statistics Department, the average hotel accommodation occupancy rate is approximately 86% in the year 2007.

Tourism sector is foreseen to flourish by various events, such as (i) the development of the cruise terminal at the old Kai Tak airport site; (ii) the completion of the revamp and expansion plans of Ocean Park by phases; (iii) the 2008 Olympic Games in Beijing, with 2008 Olympic Equestrian Events to be hosted in Hong Kong; (iv) the 2009 East Asian Games, and with more to come. The management anticipates that these new tourist attractions will stimulate demands in hotel rooms and the management is optimistic on the hotel business.

Looking forward, 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.

LIQUIDITY AND FINANCIAL INFORMATION

During the year under review, cashflow of the Group was mainly generated from business operations. As at 31 March 2008, the Group's total borrowings amounted to approximately HK$434 million compared with approximately HK$2,068 million as at 31 March 2007. The decrease of the Group's total borrowings was due to the disposal of the toll road business.

As at 31 March 2008, cash and bank balances amounted to approximately HK$8 million compared with cash and bank balances of approximately HK$53 million last year. The Group's net assets as at 31 March 2008 amounted to approximately HK$215 million compared with approximately HK$1,202 million last year.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to total equity was approximately 202% as at 31 March 2008 compared to approximately 172% as at 31 March 2007. 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 198% compared with approximately 168% last year.

Of the Group's total borrowings as at 31 March 2008, approximately HK$204 million (47%) would be due within one year, approximately HK$15 million (3%) would be due in more than one year but not exceeding two years, approximately HK$47 million (11%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK$168 million (39%) would be due after five years.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL INFORMATION (continued)

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 Winland Wealth's director's and related parties' guarantees.

TREASURY POLICIES

The Group generally financed its operations with internally generated resources and credit facilities. The 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 2008 as the foreign currency risk exposure was considered to be minimal. As at 31 March 2008, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

EQUITY

Total equity of the Group as at 31 March 2008 was approximately HK$215 million compared with approximately HK$1,202 million last year. Total equity attributable to equity holders of the Company as at 31 March 2008 was approximately HK$216 million compared with approximately HK$1,202 million last year. The reduction was mainly resulted from the payment of the special cash dividend and the disposal of toll road business by way of distribution in specie in April 2007, total amounted to approximately HK$975 million.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 March 2008, the total number of employees of the Group was 134 (2007: 296). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No Director, 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 2008, the Company had provided guarantees to banks in respect of loans granted to its subsidiaries amounting to approximately HK$433,874,000.

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.

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 of 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 2008 and up to the date of this report were:

Executive Directors

Lun Chi Yim *(Chairman)*	(appointed on 19 April 2007)
Lun Yiu Kay Edwin *(Managing Director)*	(appointed on 19 April 2007)
Ng Tze Ho Joseph	(appointed on 19 April 2007)
Lau Kan Shan	(resigned on 7 May 2007)
Tse On Kin	(resigned on 24 July 2007)
Ching Yung	(resigned on 24 July 2007)

Independent Non-Executive Directors

Tse Kwing Chuen	(appointed on 19 April 2007)
Ng Hung Sui Kenneth	(appointed on 19 April 2007)
Lam Yiu Pang Albert	(appointed on 19 April 2007)
Chan Wai Dune	(resigned on 24 July 2007)
Lau Wai	(resigned on 24 July 2007)
Tong Kwai Lai	(resigned on 24 July 2007)

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 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.

BOARD OF DIRECTORS (continued)

For the year ended 31 March 2008, 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 2008:—

Directors' Attendance

	Number of Board meetings held during the Director's term of office during year ended 31 March 2008	Number of meeting(s) attended
Executive Directors		
Mr. Lun Chi Yim *(Chairman)* (Note i)	7	7
Mr. Lun Yiu Kay Edwin *(Managing Director)* (Note i)	7	7
Mr. Ng Tze Ho Joseph (Note i)	7	7
Mr. Lau Kan Shan *(former Chairman)* (Note ii)	3	2
Mr. Tse On Kin *(former Managing Director)* (Note iii)	4	4
Ms. Ching Yung (Note iii)	4	4
Independent Non-Executive Directors		
Dr. Tse Kwing Chuen (Note i)	7	7
Mr. Ng Hung Sui Kenneth (Note i)	7	6
Mr. Lam Yiu Pang Albert (Note i)	7	7
Mr. Chan Wai Dune (Note iii)	4	3
Mr. Lau Wai (Note iii)	4	1
Mr. Tong Kwai Lai (Note iii)	4	1

Notes:

i. Mr. Lun Chi Yim, Mr. Lun Yiu Kay Edwin, Mr. Ng Tze Ho Joseph, Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert have been appointed as Directors on 19 April 2007.

ii. Mr. Lau Kan Shan resigned as Director on 7 May 2007.

iii. Mr. Tse On Kin, Ms. Ching Yung, Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai resigned as Directors on 24 July 2007.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND MANAGING DIRECTOR

On 19 April 2007, Mr. Lau Kan Shan and Mr. Tse On Kin resigned as the Chairman of the Board and Managing Director respectively. On the same date, Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin were appointed as the Chairman of the Board and Managing Director 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 2007 to 18 April 2009, subject to retirement by rotation.

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. On 1 June 2007, Mr. Lun Chi Yim, Mr. Lun Yiu Kay Edwin and Mr. Ng Tze Ho Joseph were appointed by the Board as members of the Executive Committee in replacement of Mr. Lau Kan Shan, Mr. Tse On Kin and Ms. Ching Yung. 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 the Managing Director and two Independent Non-Executive Directors. On 1 June 2007, Mr. Lun Yiu Kay Edwin, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert were appointed by the Board as members of the Remuneration Committee in replacement of Mr. Tse On Kin, Mr. Chan Wai Dune and Mr. Lau Wai. Mr. Lun Yiu Kay Edwin is the chairman of the Remuneration Committee.

REMUNERATION COMMITTEE (continued)

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 meeting attended
Mr. Lun Yiu Kay Edwin *(Chairman)*	1
Mr. Ng Hung Sui Kenneth	1
Mr. Lam Yiu Pang Albert	1

During the meeting, the Remuneration Committee discussed and determined the Director's fee for individual Director. The emoluments of the Directors are based on their respective responsibilities and their involvement in the Group's affairs and are determined by reference to the Group's business condition and the prevailing market practice. 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.

AUDIT COMMITTEE

The Audit Committee was established in March 1999 with specific written terms of reference and comprised of three members, all of them are Independent Non-Executive Directors. Three former members, Mr. Chan Wai Dune, Mr. Lau Wai (former chairman of the Audit Committee) and Mr. Tong Kwai Lai resigned as Audit Committee members on 24 July 2007. Effective from 24 July 2007 to the date of this report, the Audit Committee comprises of three members, including Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. 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.

AUDIT COMMITTEE (continued)

During the year, three Audit Committee meetings were held, one of which was attended by the external auditor, Shu Lun Pan Horwath Hong Kong CPA Limited ("SLP Horwath"). 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 2008	Number of meeting attended
Mr. Lau Wai (Note i)	1	1
Mr. Chan Wai Dune (Note i)	1	1
Mr. Tong Kwai Lai (Note i)	1	0
Dr. Tse Kwing Chuen (Note ii)	2	2
Mr. Ng Hung Sui Kenneth (Note ii)	2	2
Mr. Lam Yiu Pang Albert (Note ii)	2	2

Note:

i. Mr. Lau Wai, Mr. Chan Wai Dune and Mr. Tong Kwai Lai resigned as Audit Committee members on 24 July 2007.

ii. Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert have been appointed as Audit Committee members on 24 July 2007.

Summary of work done for the year ended 31 March 2008:-

- review of final results and draft audited financial statements for the year ended 31 March 2007;
- review of interim results and draft unaudited financial statements for the six months ended 30 September 2007;
- consideration and approval of the re-appointment of auditors; and
- review of the internal control review report conducted by an external consultancy firm.

The Audit Committee has also reviewed with SLP Horwath the audited financial statements for the year ended 31 March 2008 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, a written resolutions was signed by all former directors approving the nomination and appointment of Mr. Lun Chi Yim, Mr. Lun Yiu Kay Edwin, Mr. Ng Tze Ho Joseph, Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert as Directors of the Company and also approving the appointment of Mr. Lun Chi Yim as the Chairman of the Board and Mr. Lun Yiu Kay Edwin as the Managing 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

SLP Horwath is the auditor of the Company. During the year ended 31 March 2008, the fees charged to the financial statements of the Company and its subsidiaries for SPL Horwath's statutory audit amounted to HK$410,000. In addition, approximately HK$31,700 was charged for non-audit services which mainly consist of tax compliance.

DIRECTORS' AND AUDITOR'S 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 2008, 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, SLP Horwath, about their reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's 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.

CORPORATE GOVERNANCE REPORT

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.

During the year up to the date of this report, the Board has engaged an external consultancy firm to conduct review of the effectiveness of the internal control systems. Areas for improvement have been identified and appropriate measures will be taken.

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 2008.

GROUP REORGANISATION

On 12 April 2007, the Company and its subsidiaries (the “Group”) completed a group reorganisation (the “Group Reorganisation”), pursuant to which: (i) the Company will continue to be a listed company, together with its subsidiaries (the “Remaining Group”) will be carrying on the Group’s business of hotel investment and operation (the “Remaining Business”); (ii) Inventive Limited (“Inventive”) and its subsidiaries (the “Inventive Group”) will be carrying on the businesses of the Group, including the Group’s toll road operation and management as well as investment holding, other than the Remaining Business; and (iii) the shareholders will receive by way of distribution in specie the share of Inventive on the basis of one share of Inventive for each share of the Company held. Details of the Group Reorganisation have been set out in the circular of the Company dated 17 March 2007 and the composite offer document dated 16 April 2007 issued jointly by the Company and Winland Wealth (BVI) Limited.

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 2008 are set out in note 35 to the financial statements.

An analysis of turnover and results from operations of 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 2008 are set out in the consolidated income statement on page 30.

The state of affairs of the Group and the Company as at 31 March 2008 are set out in the balance sheets on pages 31 to 33.

The cash flows of the Group are set out in the consolidated cash flow statement on pages 35 to 36.

As at 31 March 2008, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$26,656,000 (2007: HK$1,012,047,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2008 (2007: Nil).

DIRECTORS' REPORT

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 24 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 34 and in note 25 to the financial statements respectively.

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 83.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in hotel property and other property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

PRINCIPAL PROPERTY

Particulars of the Group's hotel property are set out on page 84.

BANK LOANS

Particulars of the Group's bank loans are set out in note 26 to the financial statements.

PENSION SCHEME

Details of the Group's pension scheme are set out in note 10 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.

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for 45% and 80% 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)*	(appointed on 19 April 2007)
Lun Yiu Kay Edwin *(Managing Director)*	(appointed on 19 April 2007)
Ng Tze Ho Joseph	(appointed on 19 April 2007)
Lau Kan Shan	(resigned on 7 May 2007)
Tse On Kin	(resigned on 24 July 2007)
Ching Yung	(resigned on 24 July 2007)

Independent Non-Executive Directors:

Tse Kwing Chuen	(appointed on 19 April 2007)
Ng Hung Sui Kenneth	(appointed on 19 April 2007)
Lam Yiu Pang Albert	(appointed on 19 April 2007)
Chan Wai Dune	(resigned on 24 July 2007)
Lau Wai	(resigned on 24 July 2007)
Tong Kwai Lai	(resigned on 24 July 2007)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ng Tze Ho Joseph 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").

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Executive Directors

Mr. Lun Chi Yim, aged 74, 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 construction business 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 and an honorary citizen in the city of Lo Din in Guangdong Province of the PRC.

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 after Group Reorganisation, 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 38, 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 14 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 a director of all the subsidiaries of the Company after Group Reorganisation, 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 36, 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 13 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-Executive Directors

Dr. Tse Kwing Chuen, aged 57, has been a Director since April 2007. 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 41, has been a Director since April 2007. Mr. Ng obtained a Bachelor's Degree in Laws from the University of Hong Kong and is a solicitor practicing 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 a member of 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 61, has been a Director since April 2007. 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.

Senior Management

Qualified Accountant and Company Secretary

Ms. Nip Suk Ching, aged 37, serving as the Qualified Accountant and Company Secretary of the Company. Ms. Nip has been the Financial Controller of the Group since September 2005 and appointed as the Company Secretary of the Company since April 2007. She holds a Degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University. Ms. Nip has about 16 years of experience in external auditing, internal auditing, taxation, finance and private equity investment. She is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and is a fellow member of The Association of Chartered Certified 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' REPORT

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.

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

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 2008, 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$0.10 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 2008, 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' 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 (Note i)	Winland Hotel Management Limited (Note ii)	Hotel management	As substantial shareholder and director
	Winland Finance Limited	Money lending	As substantial shareholder and director
Lun Yiu Kay Edwin (Note i)	Winland Hotel Management Limited (Note ii)	Hotel management	As director
	Winland Finance Limited	Money lending	As director

Note:

i. Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin were appointed as Directors on 19 April 2007.

ii. The business of Winland Hotel Management Limited is to manage the operation of Mexan Harbour Hotel owned by the Group on and before 12 April 2007. Upon the completion of Group Reorganisation on 12 April 2007 and up to the date of this report, Winland Hotel Management Limited has no hotel management business.

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 2008, 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$0.10 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. Ms. 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, are disclosed in note 30 to the financial statements.

The connected and continuing connected transactions during the year ended 31 March 2008, which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules are as follows:

1. Before the completion of the Group Reorganisation on 12 April 2007, 寧波北侖港高速公路有限公司 (Ningbo Beilun Port Expressway Company Limited) ("Beilun Company") is a wholly owned subsidiary of the Company while 上海茂盛企業發展(集團)有限公司(Shanghai Mexan Enterprise Development (Group) Company Limited) ("Shanghai Mexan") is beneficially owned as to approximately 74.7% by Mr. Lau Kan Shan, the former executive director, chairman and controlling shareholder of the Company. On 23 December 2005, Beilun Company and Shanghai Mexan as manager entered into a management agreement (as amended). Accordingly, the transactions contemplated under the management agreement (as amended) in respect of the management and operation of the Ningbo Beilun Port Expressway constituted continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the management agreement (as amended) have been set out in the Company's announcement dated 31 August 2005 and the Company's circular dated 14 November 2005. In a Special General Meeting held on 30 November 2005, the management agreement (as amended) and transactions contemplated thereunder including (i) the management of the Ningbo Beilun Port Expressway; (ii) the reduction of the term of the management agreement from 24 years to 3 years; and (iii) the revised repayment terms in respect of the prepaid management fees (i.e. the management fee of RMB300 million for the original 24-year period which has been prepaid to Shanghai Mexan (the "Prepayment") will be reduced to RMB37.5 million as a result of the term of the management agreement being reduced to 3 years and Shanghai Mexan will repay RMB262.5 million to Beilun Company upon the expiry of the management agreement, which Prepayment would also constitute a financial assistance by the Group to Shanghai Mexan under the Listing Rules and be a connected transaction of the Company, upon completion of the acquisition of 55.1% equity interest in Beilun Company were duly approved by independent shareholders by way of poll. Results of the Special General Meeting were published in the Company's announcement dated 30 November 2005.

   This transaction did not continue in the Group after completion of the Group Reorganisation on 12 April 2007.

   The Independent Non-Executive Directors of the Company have reviewed and confirmed that the continuing connected transactions for the year ended 31 March 2008 arising from the management agreement (as amended) had been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

The auditors of the Company has reviewed the continuing connected transactions for the year ended 31 March 2008 arising from the management agreement (as amended) and confirmed that the transaction (i) had been approved by the board of directors of the Company; (ii) had been entered into in accordance with the above management agreement (as amended) governing the transactions; and (iii) did not exceed the annual cap RMB12.5 million as disclosed in the announcement of the Company dated 31 August 2005.

2. Before the completion of the Group Reorganisation on 12 April 2007, Mexan Resources Limited ("MRL") is a wholly-owned subsidiary of the Company. Mexan International Limited ("MIL") is a company beneficially owned as to approximately 95% by Mr. Lau Kan Shan, the former executive director, chairman and controlling shareholder of the Company. MRL as tenant and MIL as landlord has entered into the tenancy agreement (the "Tenancy Agreement") on 18 September 2006 of which details are set out below:

Property:	certain portions of 16th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, certain furniture and fixtures and three car parks
Period:	1 October 2006 to 30 September 2009
Rental:	a monthly rent of HK$160,000 (inclusive of management fee, rates and government rent and all charges for gas, water and electricity)
Annual consideration:	HK$1,920,000

As stated in the Company's announcement dated 20 September 2006, the Tenancy Agreement between MRL and MIL constitutes a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules. As each of the applicable ratios on an annual basis is less than 2.5%, the transaction is only subject to reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under the Listing Rules. The aggregate annual rental for the Tenancy Agreement for each of the three years ended 31 March 2009 will be approximately HK$1,920,000.

This transaction did not continue in the Group after completion of the Group Reorganisation on 12 April 2007.

The Independent Non-Executive Directors of the Company have reviewed the transaction for the year ended 31 March 2008 arising from the Tenancy Agreement and confirmed that the transaction was entered into (a) in the ordinary and usual course of business; (b) on normal commercial terms; and (c) in accordance with the terms of the Tenancy Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

The auditors of the Company has reviewed the continuing connected transaction for the year ended 31 March 2008 arising from the Tenancy Agreement and confirmed that (i) the transaction had been approved by the board of directors of the Company; (ii) the transaction was entered into in accordance with the terms of the Tenancy Agreement; and (iii) within the annual aggregate value pursuant to the Tenancy Agreement and did not exceed the relevant annual caps as disclosed in the announcement of the Company dated 20 September 2006.

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 comprises three Independent Non-Executive Directors, namely Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. The Audit Committee has reviewed with the Company's auditor, Shu Lun Pan Horwath Hong Kong CPA Limited ("SLP Horwath"), the audited financial statements for the year ended 31 March 2008 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.

AUDITOR

The financial statements have been audited by SLP Horwath (formerly know as Horwath Hong Kong CPA Limited) who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Lun Yiu Kay Edwin
Managing Director

Hong Kong, 9 July 2008

INDEPENDENT AUDITOR'S REPORT

Shu Lun Pan Horwath Hong Kong CPA Limited
20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

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 30 to 82 which comprise the consolidated and company balance sheets as at 31 March 2008, 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.

AUDITOR'S 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.

AUDITOR'S 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 auditor's 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 auditor considers 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 2008 and of the loss 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.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants
9 July 2008

Chan Kam Wing, Clement
Practising Certificate number P02038

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	5	**74,804**	79,436
Direct costs		**(24,073)**	(22,727)
Gross profit		**50,731**	56,709
Other revenue	5	**582**	3,349
Administrative expenses		**(42,617)**	(82,799)
Finance costs	6	**(20,081)**	(23,430)
Loss before taxation		**(11,385)**	(46,171)
Taxation	8	**(24)**	—
Loss for the year from continuing operations		**(11,409)**	(46,171)
Discontinued operations			
Loss for the year from discontinued operations	11	**(822)**	(46,133)
Loss for the year	9	**(12,231)**	(92,304)
Attributable to:			
Equity holders of the Company		**(11,619)**	(92,304)
Minority interests		**(612)**	—
		(12,231)	(92,304)
Dividends	14	**974,531**	—
Basic loss per share (HK cents)			
— from continuing and discontinued operations	15	**(0.89)**	(7.04)
— from continuing operations	15	**(0.82)**	(3.52)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**631,461**	649,198
Intangible assets	18	**10,014**	11,181
Prepaid lease payments	19	**11,547**	—
Club debentures	21	**1,350**	1,350
		654,372	661,729
Current assets			
Inventories	22	**348**	—
Trade and other receivables, deposits and prepayments	23	**3,655**	97,355
Prepaid lease payments	19	**302**	—
Cash and bank balances		**8,478**	15,485
		12,783	112,840
Assets of toll road and management businesses classified as held for sale	12	**—**	2,552,385
		12,783	2,665,225
Current liabilities			
Current portion of bank loans	26	**203,625**	35,554
Other payables, deposits received and accrued charges		**9,728**	16,506
Amount due to a related company	30(b)	**607**	—
Amount due to minority shareholder	30(b)	**6,408**	—
Dividend payable		**1,522**	1,096
Tax payable		**24**	—
		221,914	53,156
Liabilities of toll road and management businesses associated with assets classified as held for sale	12	**—**	1,667,978
		221,914	1,721,134
Net current (liabilities)/assets		**(209,131)**	944,091
Total assets less current liabilities		**445,241**	1,605,820

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Total assets less current liabilities		**445,241**	1,605,820
Non-current liabilities			
Bank loans	26	**230,249**	344,653
Other loan	27	**—**	59,413
		230,249	404,066
Net assets		**214,992**	1,201,754
EQUITY			
Share capital	24	**131,092**	131,092
Reserves		**84,512**	1,070,662
Equity attributable to equity holders of the Company		**215,604**	1,201,754
Minority interests		**(612)**	—
Total equity		**214,992**	1,201,754

On behalf of the Board

Lun Chi Yim
Director

Lun Yiu Kay Edwin
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	20	**214,602**	220,452
Club debentures	21	**1,350**	1,350
		215,952	221,802
Current assets			
Deposits and prepayments	23	**66**	90,432
Bank balances		**5,466**	10,452
		5,532	100,884
Non-current assets held for sale	12	**—**	920,679
		5,532	1,021,563
Current liabilities			
Other payables and accrued charges		**3,610**	4,240
Dividend payable		**1,522**	1,096
Amounts due to subsidiaries	20	**919**	933
		6,051	6,269
Liabilities associated with assets held for sale	12	**—**	36,272
		6,051	42,541
Net current (liabilities)/assets		**(519)**	979,022
Net assets		**215,433**	1,200,824
EQUITY			
Share capital	24	**131,092**	131,092
Reserves	25	**84,341**	1,069,732
Total equity		**215,433**	1,200,824

On behalf of the Board

Lun Chi Yim
Director

Lun Yiu Kay Edwin
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Equity attributable to equity holders of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Capital reserves** HK$'000	**Exchange reserve** HK$'000 (Note 25(i))	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1 April 2006	131,092	57,556	129	12,156	10,674	1,047,996	1,259,603	—	1,259,603
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	34,455	—	34,455	—	34,455
Loss for the year	—	—	—	—	—	(92,304)	(92,304)	—	(92,304)
Total recognised income and expense for the year	—	—	—	—	34,455	(92,304)	(57,849)	—	(57,849)
At 31 March 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**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Loss before taxation from continuing operations	**(11,385)**	(46,171)
Loss before taxation from discontinued operations	**(822)**	(46,138)
Loss before taxation	**(12,207)**	(92,309)
Interest income	**(538)**	(3,671)
Interest expenses	**20,052**	120,890
Unclaimed dividend written back	**—**	(313)
Loss on disposal of property, plant and equipment	**171**	28
Loss on disposal of investment property	**—**	3,500
Depreciation of property, plant and equipment	**17,823**	23,379
Amortisation of intangible assets	**2,904**	53,626
Release of prepaid lease payments to profit or loss	**151**	—
Operating cash flows before working capital changes	**28,356**	105,130
Decrease in amounts due from related companies	**380**	2,629
Increase in inventories	**(348)**	—
Decrease/(increase) in trade and other receivables, deposits and prepayments	**90,850**	(68,735)
Increase/(decrease) in amounts due to related companies	**607**	(4,404)
(Decrease)/increase in other payables, deposits received and accrued charges	**(3,266)**	10,126
Effect of foreign exchange rate changes	**—**	11,850
Net cash generated from operations	**116,579**	56,596
Interest received on bank balances	**538**	3,671
Net cash generated from operating activities	**117,117**	60,267

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Investing activities			
Purchase of property, plant and equipment		**(49)**	(17,608)
Proceed from disposal of property, plant and equipment		**1**	—
Proceed from disposal of investment property		**—**	16,500
Purchase of leasehold land		**(12,000)**	—
Repayment of loan receivable		**—**	34,000
Deposits refunded for acquisition of a subsidiary		**—**	70,000
Deposits refunded for acquisition of an investment property		**—**	4,000
Net cash (used in)/generated from investing activities		**(12,048)**	106,892
Financing activities			
Interest element of finance lease payments		**—**	(13)
New bank loans		**444,000**	—
New other loans		**—**	33,794
Repayment of bank loans		**(390,333)**	(46,919)
Repayment of other loans		**(59,413)**	—
Advance from minority shareholder		**6,408**	—
Interest paid on borrowings		**(20,480)**	(121,315)
Capital element of finance lease payments		**—**	(400)
Distribution in specie	29	**(40,371)**	—
Dividend paid		**(89,569)**	(18)
Net cash used in financing activities		**(149,758)**	(134,871)
(Decrease)/increase in cash and cash equivalents		**(44,689)**	32,288
Effect of foreign exchange rate changes		**—**	475
Cash and cash equivalents at beginning of year		**53,167**	20,404
Cash and cash equivalents at end of year		**8,478**	53,167
Analysis of the balances of cash and cash equivalents			
Cash and bank balances			
— continuing operations		**8,478**	15,485
— discontinued operations		**—**	37,682
		8,478	53,167

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 35. The Company and its subsidiaries are collectively referred to as the "Group".

On 2 January 2007, the Company's ultimate controlling party, Mexan Group Limited ("MGL") entered into a share sale agreement ("Agreement") with Winland Wealth (BVI) Limited ("Winland Wealth"), pursuant to which Winland Wealth agreed to acquire 964,548,303 shares of the Company from MGL, representing approximately 73.58% of the existing issued share capital of the Company. Completion of the Agreement is subject to, inter alia, approval by independent shareholders of the Company of the special cash dividend and the group reorganisation (the "Group Reorganisation").

Pursuant to the Group Reorganisation, (i) the Company, which will continue to be a listed company, together with its subsidiaries (the "Remaining Group") will be carrying on the Group's business of hotel investment and operation (the "Remaining Business"); (ii) Inventive Limited ("Inventive") and its subsidiaries (the "Inventive Group") will be carrying on the business of the Group, including the Group's toll road operation and management as well as investment holding, other than the Remaining Business; and (iii) the shareholders will receive by way of distribution in specie the shares of Inventive on the basis of one share of Inventive for each share of the Company held.

Details of the Group Reorganisation are set out in the circular of the Company dated 17 March 2007 and the composite offer document dated 16 April 2007 issued jointly by the Company and Winland Wealth.

Pursuant to the resolution passed by the independent shareholders in the special general meeting held on 12 April 2007, the Group Reorganisation and the special cash dividend were approved. On the same date, the Group Reorganisation and the Agreement were completed. As a result, Winland Wealth acquired 964,548,303 shares of the Company from MGL and became the holding company of the Company.

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 ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company.

The impact of the adoption of HKFRS 7, *Financial Instruments: Disclosures* and Amendment to HKAS 1, *Capital Disclosures* has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 & 1, Amendments	Puttable Financial Instruments and Obligations arising on Liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) — Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

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.

NOTES TO THE FINANCIAL STATEMENTS

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 of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention.

(c) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant 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.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Group accounting (continued)

(i) Consolidation (continued)

Minority interests in the net assets (excluding goodwill) 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.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill (net of accumulated impairment loss).

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.

(ii) Business combinations

The acquisition of subsidiaries and businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Group accounting (continued)

(iii) Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill on acquisitions of a subsidiary is presented separately in the consolidated balance sheet.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(d) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Non-current assets held for sale and discontinued operations (continued)

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

(e) 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%
Leasehold improvements	20% or over the remaining lease term
Toll collection equipment	20%
Furniture, fixtures and equipment	10% — 20%
Motor vehicles and others	10% — 25%

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Intangible assets

(i) Operating right of Ningbo Beilun Port Expressway

Expenditure on acquiring the operating right of Ningbo Beilun Port Expressway is capitalised as an intangible asset. Amortisation of operating rights is provided to write off their cost on a units-of-usage basis whereby amortisation is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the operating period of the respective toll roads. The Group reviews regularly the projected total traffic volume throughout the operating period of the respective toll road and if considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustments will be made should there be a material change in the projected total traffic volume.

(ii) Licence

Licence represents the cost of acquisition of a licence to install neon light signages for displaying the name of property and is amortised on a straight line basis over its useful life.

(g) Club debentures

Club debentures are stated at cost less accumulated impairment losses.

(h) Impairment of tangible and intangible assets excluding goodwill

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Impairment of tangible and intangible assets excluding goodwill (continued)

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

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.

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 receivables 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.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Financial assets (continued)

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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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 asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

Toll income is recognised when vehicles pass the toll road and the right of collection of toll is established. Toll income measurement and collection functions are managed by Zhejiang Expressway Clearance Centre, a provincial department, using its operating systems under a management agreement between the Group and a subdivision of Zhejiang Expressway Clearance Centre. The Group measures the toll income based on monthly statements received from Zhejiang Expressway Clearance Centre.

(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

For employees in Hong Kong, 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.

For employees in the People's Republic of China (the "PRC"), the Group contributes to state-sponsored retirement plans. The Group's contributions are expensed as incurred.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Borrowing costs (continued)

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

(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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Translation of foreign currencies (continued)

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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

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.

Assessment of impairment of assets

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.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUES AND TURNOVER

Before the Group Reorganisation, the Group was engaged in hotel operation and toll road operation. After that, the Group is principally engaged in hotel operation. Revenues recognised during the year are as follows:

	2008 HK$'000	2007 HK$'000
From continuing operations		
Turnover		
Hotel operation	**74,804**	79,436
Other revenue		
Interest income		
— Bank and other advance	**538**	2,763
Unclaimed dividend written back	**—**	313
Other income	**44**	273
	582	3,349
Total revenues	**75,386**	82,785
From discontinued operations (Note 11)		
Turnover		
Toll road income	**5,586**	159,697
Rental income	**—**	135
	5,586	159,832
Other revenue		
Management fee and other income	**—**	7,546
Subsidy income	**—**	2,196
Interest income	**11**	908
Exchange gain	**—**	3,033
	11	13,683
Total revenues	**5,597**	173,515

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUES AND TURNOVER (continued)

(a) Primary reporting format — business segments

The Group is organised into three main business segments:

- Hotel operation
- Toll road operation
- Property rental

For the year ended 31 March 2008

	Continuing operations	Discontinued operations		
	Hotel operations	**Toll road operation**	**Unallocated**	**Consolidated**
	HK$'000	HK$'000	HK$'000	HK$'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**

5. REVENUES AND TURNOVER (continued)

(a) Primary reporting format — business segments (continued)

For the year ended 31 March 2007

	Continuing operations	Discontinued operations			
	Hotel operations HK$'000	Toll road operation HK$'000	Property rental HK$'000	Unallocated HK$'000	Consolidated HK$'000
Turnover	79,436	159,697	135		239,268
Segment results	152	64,552	(3,920)		60,784
Unallocated corporate income and expenses (net)					(35,657)
					25,127
Interest income					3,671
Finance costs					(121,107)
Loss before taxation					(92,309)
Taxation credit					5
Loss for the year attributable to equity holders of the Company					(92,304)
Segment assets	672,334	2,529,972	—		3,202,306
Unallocated corporate assets					124,648
Consolidated total assets					3,326,954
Segment liabilities	451,883	1,666,074	—		2,117,957
Unallocated corporate liabilities					7,243
Consolidated total liabilities					2,125,200
Capital expenditure	436	17,150	—	22	17,608
Depreciation	17,599	4,347	—	1,433	23,379
Amortisation	1,166	52,460	—	—	53,626

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUES AND TURNOVER (continued)

(b) Secondary reporting format — geographical segments

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

	2008 HK$'000	2007 HK$'000
From continuing operations		
Hong Kong	**74,804**	79,436
From discontinued operations		
Hong Kong	**—**	135
PRC	**5,586**	159,697
	5,586	159,832
	80,390	239,268

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	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
From continuing operations				
Hong Kong	**667,155**	774,569	**12,049**	436
From discontinued operations				
Hong Kong	**—**	22,413	**—**	22
PRC	**—**	2,529,972	**—**	17,150
	—	2,552,385	**—**	17,172
	667,155	3,326,954	**12,049**	17,608

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCE COSTS

Finance costs comprise the following:

	2008 HK$'000	2007 HK$'000
From continuing operations		
Interest on bank loans		
— wholly repayable within five years	**9,763**	—
— not wholly repayable within five years	**9,859**	20,888
Interest on other loans wholly repayable within five years	**430**	2,532
Total borrowing costs incurred	**20,052**	23,420
Bank charges	**29**	10
	20,081	23,430
From discontinued operations (Note 11)		
Interest on bank loans and overdrafts		
— wholly repayable within five years	**—**	639
— not wholly repayable within five years	**2,940**	96,818
Interest element of finance lease	**—**	13
Total borrowing costs incurred	**2,940**	97,470
Bank charges	**—**	207
	2,940	97,677

7. STAFF COSTS

Staff costs (including directors' emoluments as disclosed in note 16) charged to the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Salaries and allowances	**24,970**	35,227
Retirement benefit cost (Note 10)	**881**	2,384
	25,851	37,611

NOTES TO THE FINANCIAL STATEMENTS

8. TAXATION

(a) Hong Kong profits tax is provided at the rate of 17.5% on the estimated assessable profits for the year.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2008 **HK$'000**	2007 HK$'000
Hong Kong profits tax		
Current tax — provision for the year	**24**	—
Deferred taxation resulting from origination and reversal of temporary differences (Note 28)	**—**	(5)
	24	(5)
From continuing operations	**24**	—
From discontinued operations (Note 11)	**—**	(5)
	24	(5)

(b) The taxation on the Group's accounting loss differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2008 **HK$'000**	2007 HK$'000
Loss before taxation		
— from continuing operations	**(11,385)**	(46,171)
— from discontinued operations	**(822)**	(46,138)
	(12,207)	(92,309)
Calculated at the taxation rate of 17.5%	**(2,136)**	(16,154)
Income and expenditure not subject to taxation	**119**	2,019
Expenses not deductible for tax purposes	**1,900**	1,816
Non-taxable items	**(38)**	(609)
Unrecognised tax losses and deductible temporary differences	**179**	12,923
Taxation charge/(credit)	**24**	(5)

(c) With effect from the year of assessment 2008/09, Hong Kong profits tax rate has been reduced from 17.5% to 16.5%.

NOTES TO THE FINANCIAL STATEMENTS

9. LOSS FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Loss for the year (including continuing and discontinued operations) is stated after crediting and charging the following:		
Crediting		
Rental income from investment properties	—	135
Charging		
Auditor's remuneration	410	550
Operating leases payments in respect of land and buildings	—	3,209
Depreciation of property, plant and equipment		
— from continuing operations	17,614	17,613
— from discontinued operations	209	5,766
	17,823	23,379
Amortisation of intangible assets		
— from continuing operations	1,167	1,166
— from discontinued operations	1,737	52,460
	2,904	53,626
Release of prepaid lease payments to profit or loss	151	—
Loss on disposal of property, plant and equipment	171	28
Loss on disposal of investment property	—	3,500
Bad debts written off	—	732

10. RETIREMENT BENEFIT COSTS

The Group operates a MPF Scheme for all the eligible employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group.

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.

The MPF contributions made by the Group for the eligible employees in Hong Kong during the year amounted to HK$881,000 (2007: HK$1,044,000).

NOTES TO THE FINANCIAL STATEMENTS

10. RETIREMENT BENEFIT COSTS (continued)

Pursuant to the PRC rules and regulations, the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group contributes approximately 20% of the basic salaries of its employees in the PRC as determined by the local government during the year, and has no further obligation for the actual payment of pension or post-retirement benefits beyond the annual contribution. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

11. DISCONTINUED OPERATIONS

As disclosed in note 1 to the financial statements, on 12 April 2007, the Group disposed of its business of toll road operation and management by distribution in specie of shares in Inventive.

In the year ended 31 March 2007, the Group disposed of its business of property investment.

The results of the discontinued operations during the year are set out below.

	Notes	**2008** **HK$'000**	2007 HK$'000
Turnover	5	**5,586**	159,832
Direct costs		**(1,738)**	(71,130)
Gross profit		**3,848**	88,702
Other revenue	5	**11**	13,683
Administrative expenses		**(1,741)**	(50,846)
Finance costs	6	**(2,940)**	(97,677)
Loss before taxation		**(822)**	(46,138)
Taxation credit	8	**—**	5
Loss for the year	9	**(822)**	(46,133)

	2008 **HK$'000**	2007 HK$'000
Net cash inflow from operating activities	**4,679**	90,747
Net cash inflow from investing activities	**—**	3,328
Net cash outflow from financing activities	**(1,990)**	(57,998)
	2,689	36,077

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 16 February 2007, the Directors announced a proposal of the Group Reorganisation to dispose of the Group's business of toll road operation and management by distribution in specie of shares in Inventive. Details of the distribution in specie are disclosed in note 1 to the financial statements. Accordingly, the major classes of assets and liabilities comprising the operations to be disposed of are classified as disposal group at 31 March 2007 as follows:

Group	HK$'000
Property, plant and equipment	55,605
Intangible assets	1,800,326
Goodwill attributable to toll road operation (note)	276,259
Amount due from a related company	268,605
Trade and other receivables, deposits and prepayments	113,908
Cash and bank balances	37,682
Assets of toll road and management businesses classified as held for sale	2,552,385
Other payables, deposits received and accrued charges	33,333
Amounts due to related companies	5,804
Bank loans	1,628,841
Liabilities of toll road and management businesses associated with assets classified as held for sale	1,667,978
Net assets of toll road and management businesses classified as held for sale	884,407

Note:

Carrying value of goodwill:

At 31 March 2006	264,430
Exchange adjustment	11,829
At 31 March 2007	**276,259**

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Goodwill set out above is allocated to the cash generating unit, toll road operation of Ningbo Beilun Port Expressway Company Limited.

Company	HK$'000
Non-current assets held for sale	
Investment in a subsidiary	100
Amounts due from subsidiaries, net of provision for impairment loss	920,579
	920,679
Liabilities associated with assets classified as held for sale	
Amounts due to subsidiaries	36,272
Interests in subsidiaries classified as held for sale	884,407

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK$10,860,000 (2007: HK$23,400,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

14. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Distribution in specie (note (a))	**884,536**	—
Special cash dividend, HK$0.06865 per share (2007: Nil) (note (b))	**89,995**	—
	974,531	—

Notes:

(a) The net assets of Inventive Group distributed by the Group in form of dividend in specie, as disclosed in note 1 to the financial statements, were as follows:

	HK$'000
Total assets	**2,555,598**
Total liabilities	**(1,671,062)**
	884,536

(b) In respect of the year and as disclosed in note 1 to the financial statements, on 2 January 2007, the directors proposed a special cash dividend of HK$0.06865 per share which would be paid to shareholders upon completion of the Group Reorganisation. This dividend was approved by shareholders at the special general meeting on 12 April 2007 and was paid during the year to all shareholders on the register of members on 12 April 2007. The total dividend was HK$89,995,000.

15. LOSS PER SHARE

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

Loss

	2008 HK$'000	2007 HK$'000
Loss for the year from continuing operations	**(10,797)**	(46,171)
Loss for the year from discontinued operations	**(822)**	(46,133)
Loss for the year attributable to equity holders of the Company	**(11,619)**	(92,304)

Number of shares

	2008	2007
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,310,925,244**	1,310,925,244

Basic loss per share from the discontinued operations is 0.06 HK cents (2007: 3.52 HK cents), which is calculated based on the loss for the year from discontinued operations attributable to equity holders of the Company of HK$822,000 (2007: HK$46,133,000) and the weighted average number of ordinary shares for the purpose of basic loss per share detailed above.

No diluted loss per share is shown as the Company has no potential dilutive ordinary shares at 31 March 2008 and 2007.

16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

For the year ended 31 March 2008

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 (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

16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) (continued)

For the year ended 31 March 2007

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	MPF contributions HK$'000	Total HK$'000
Executive directors				
Lau Kan Shan	—	4,560	12	4,572
Tse On Kin	—	2,970	12	2,982
Ching Yung	—	743	12	755
	—	8,273	36	8,309
Independent non-executive directors				
Chan Wai Dune	200	—	—	200
Lau Wai	100	—	—	100
Tong Kwai Lai	100	—	—	100
	400	—	—	400
Total	400	8,273	36	8,709

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31 March 2008 and 2007.

16. 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 include one (2007: three) director whose emoluments are reflected in the analysis presented in note 16(a) above. The emoluments payable to the remaining four (2007: two) individuals during the year are as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**2,869**	1,100
MPF contributions	**36**	—
	2,905	1,100

Their emoluments fell within the emolument band of HK$0 — HK$1,000,000 for the years ended 31 March 2008 and 2007.

(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.

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leasehold improvements HK$'000	Toll collection equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and others HK$'000	Total HK$'000
Cost						
At 1 April 2006	686,275	42,636	401	3,380	3,378	736,070
Additions	—	—	—	17,220	388	17,608
Disposals	—	—	—	(108)	(42)	(150)
Exchange adjustment	—	1,744	18	455	62	2,279
Reclassified as held for sale (Note 12)	—	(44,380)	(419)	(18,517)	(3,786)	(67,102)
At 31 March 2007	686,275	—	—	2,430	—	688,705
Additions	—	—	—	49	—	49
Disposals	—	—	—	(184)	—	(184)
At 31 March 2008	**686,275**	**—**	**—**	**2,295**	**—**	**688,570**
Accumulated depreciation						
At 1 April 2006	21,447	2,475	171	1,252	2,170	27,515
Charge for the year	17,156	2,493	78	2,887	765	23,379
Written back on disposal	—	—	—	(82)	(40)	(122)
Exchange adjustment	—	105	10	78	39	232
Reclassified as held for sale (Note 12)	—	(5,073)	(259)	(3,231)	(2,934)	(11,497)
At 31 March 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**
Net book value						
At 31 March 2008	**630,515**	**—**	**—**	**946**	**—**	**631,461**
At 31 March 2007	647,672	—	—	1,526	—	649,198

At 31 March 2008, the Group's hotel property with a carrying value of HK$630,515,000 was located in Hong Kong under medium-term lease and was pledged to a bank for granting loans to the Group amounting to HK$433.9 million (Note 26).

18. INTANGIBLE ASSETS

	Operating right of Ningbo Beilun Port Expressway HK$'000	Licence HK$'000	Total HK$'000
Cost			
At 1 April 2006	1,876,371	14,000	1,890,371
Exchange adjustment	83,941	—	83,941
Reclassified as held for sale (Note 12)	(1,960,312)	—	(1,960,312)
At 31 March 2007 and 2008	**—**	**14,000**	**14,000**
Accumulated amortisation			
At 1 April 2006	101,638	1,653	103,291
Charge for the year	52,460	1,166	53,626
Exchange adjustment	5,888	—	5,888
Reclassified as held for sale (Note 12)	(159,986)	—	(159,986)
At 31 March 2007	—	2,819	2,819
Charge for the year	—	1,167	1,167
At 31 March 2008	**—**	**3,986**	**3,986**
Net book value			
At 31 March 2008	**—**	**10,014**	**10,014**
At 31 March 2007	—	11,181	11,181

Licence is amortised over its useful life of twelve years. The amortisation charge of the licence for the year is included in administrative expenses in the consolidated income statement.

The amortisation charge of the operating right of Ningbo Beilun Port Expressway in 2007 was included in direct costs from discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

19. PREPAID LEASE PAYMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**—**	—
Additions	**12,000**	—
Release to profit or loss	**(151)**	—
At end of year	**11,849**	—
Analysed for reporting purpose as		
— Current asset	**302**	—
— Non-current asset	**11,547**	—
	11,849	—

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

20. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**260,020**	263,446
	260,021	263,447
Less: Provision for impairment loss	**(45,419)**	(42,995)
	214,602	220,452

As at 31 March 2008, 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 35 to the financial statements.

21. CLUB DEBENTURES

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Club debentures — at cost	**1,350**	1,350

22. INVENTORIES

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

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	2008 HK$'000	2007 HK$'000
Trade receivables (note (a))	**2,609**	3,417
Other receivables	**132**	2,273
Deposits and prepayments	**914**	91,665
	3,655	97,355

Company	2008 HK$'000	2007 HK$'000
Deposits and prepayments	**66**	90,432

Notes:

(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:

	2008 HK$'000	2007 HK$'000
Within 30 days	**2,513**	3,188
31 — 60 days	**27**	205
61 — 90 days	**—**	24
Over 90 days	**69**	—
	2,609	3,417

(b) As of 31 March 2008, trade receivables of approximately HK$446,000 (2007: HK$1,097,000) were neither past due nor impaired and approximately HK$2,163,000 (2007: HK$2,320,000) were past due but not impaired. They relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of the trade receivables past due is as follows:

	2008 HK$'000	2007 HK$'000
Within 30 days past due	**2,086**	2,084
31 — 60 days past due	**8**	212
61 — 90 days past due	**—**	24
Over 90 days past due	**69**	—
	2,163	2,320

NOTES TO THE FINANCIAL STATEMENTS

24. SHARE CAPITAL

	Ordinary shares of HK$0.10 each Number of shares	HK$'000
Authorised:		
At 31 March 2007 and 2008	2,000,000,000	200,000
Issued and fully paid:		
At 31 March 2007 and 2008	1,310,925,244	131,092

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

25. RESERVES

Nature and purpose of reserves

(i) 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).

(ii) Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	57,556	129	12,156	726,289	796,130
Profit for the year	—	—	—	273,602	273,602
At 31 March 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**

(iii) At 31 March 2008, the aggregate amount of reserves available for distribution to equity holders of the Company was HK$26,656,000 (2007: HK$1,012,047,000), which represents the aggregate of retained earnings of HK$26,656,000 (2007: HK$999,891,000) and capital reserve of HK$Nil (2007: HK$12,156,000).

26. BANK LOANS

	Group	
	2008	2007
	HK$'000	HK$'000
Bank instalment loans, secured	**244,874**	380,207
Bank revolving loans, secured	**189,000**	—
	433,874	380,207
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(203,625)**	(35,554)
Amount due for settlement after 12 months	**230,249**	344,653

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

At 31 March 2008, the effective interest rate of the bank instalment loans and revolving loans are 2.493% and 2.158% respectively. The effective interest rate at 31 March 2007 is 5.245%.

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 a director of Winland Wealth and related parties of Winland Wealth.

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

	2008	2007
	HK$'000	HK$'000
Within one year	**203,625**	35,554
In the second year	**14,989**	37,514
In the third year	**15,363**	39,529
In the fourth year	**15,746**	41,653
In the fifth year	**16,138**	43,865
After five years	**168,013**	182,092
	433,874	380,207

27. OTHER LOAN

Other loan as at 31 March 2007 was secured by the second legal charge of the hotel property of the Group and the Company's corporate guarantee, bore interest at rate of 6% per annum and repayable by November 2008. During the year, the amount was repaid in full by new bank borrowings refinanced by the Group.

NOTES TO THE FINANCIAL STATEMENTS

28. DEFERRED TAX LIABILITIES

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

The movement on the deferred tax liabilities is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**—**	5
Deferred taxation credited to profit or loss (Note 8)	**—**	(5)
At end of year	**—**	—

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	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**3,903**	3,253	**(3,903)**	(3,248)	**—**	5
Charged/(credited) to profit or loss	**782**	804	**(782)**	(809)	**—**	(5)
Effect of change in tax rate	**(268)**	—	**268**	—	**—**	—
Reclassified as held for sale	**—**	(154)	**—**	154	**—**	—
At end of year	**4,417**	3,903	**(4,417)**	(3,903)	**—**	—

28. DEFERRED TAX LIABILITIES (continued)

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	
	2008	2007
	HK$'000	HK$'000
Unutilised tax losses	**64,332**	20,780

The tax losses as at 31 March 2008 may be carried forward indefinitely. The tax losses of the subsidiaries which would be distributed in specie under the Group Reorganisation are not included in the above.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

As disclosed in note 1 to the financial statements, the Group distributed the equity interest in Inventive Group it held in form of dividend in specie. The net assets and attributable goodwill of Inventive Group at the date of distribution were as follows:

	At the date of distribution	**31 March 2007**
	HK$'000	HK$'000
Net assets distributed		
Property, plant and equipment	55,396	55,605
Intangible assets	1,798,589	1,800,326
Amount due from a related company	268,225	268,605
Trade and other receivables, deposits and prepayments	116,758	113,908
Cash and bank balances	40,371	37,682
Other payables, deposits received and accrued charges	(36,417)	(33,333)
Amounts due to related companies	(5,804)	(5,804)
Bank loans	(1,628,841)	(1,628,841)
	608,277	608,148
Attributable goodwill	276,259	276,259
	884,536	884,407
Net cash outflow in respect of the distribution in specie:		
Cash and bank balances	(40,371)	—

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY TRANSACTIONS

As at 31 March 2007, the ultimate controlling party of the Group was Mexan Group Limited which is incorporated in the British Virgin Islands. With effect from 12 April 2007, Winland Stock (BVI) Limited has become the ultimate holding company of the Group after the completion of the Group Reorganisation.

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) Other than those disclosed elsewhere in the financial statements, during the year and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group:

	Group	
	2008	2007
	HK$'000	HK$'000
Rental expenses (i)	**59**	1,920
Management fee (ii)	**381**	12,325

(i) Mexan Resources Limited ("MRL"), which was a wholly-owned subsidiary of the Company before the Group Reorganisation on 12 April 2007, rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2006 at HK$160,000 per month from Mexan International Limited ("MIL").

MIL is beneficially owned as to 95% by Mr. Lau Kan Shan, a former executive director, chairman and controlling shareholder of the Company. Since 12 April 2007, Mr. Lau has not held any interests in the Company after the completion of the Agreement. On 7 May 2007, Mr. Lau resigned as a director of the Company.

The above transaction was terminated upon the completion of the Group Reorganisation on 12 April 2007.

30. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(ii) Ningbo Beilun Port Expressway Company Limited ("Beilun Company"), which was a wholly-owned subsidiary of the Company before the Group Reorganisation on 12 April 2007, and Shanghai Mexan Enterprise Development (Group) Company Limited ("Shanghai Mexan") entered into a toll road management agreement and a supplemental agreement whereby Beilun Company contracted with Shanghai Mexan for the latter company to manage the operations of the Ningbo Beilun Port Expressway for a period of 3 years commencing from 1 July 2004 with an annual management fee of RMB12,500,000. Beilun Company has a right to terminate the contract by giving a 6-month written notice to Shanghai Mexan.

Under the contract, Shanghai Mexan is obligated to manage the toll collection, request monthly statement from Zhejiang Expressway Clearance Centre, manage the daily maintenance of the toll road and communicate to the relevant government authorities on behalf of Beilun Company.

Shanghai Mexan is beneficially owned by Mr. Lau Kan Shan.

The above transaction was terminated upon the completion of the Group Reorganisation on 12 April 2007.

The related party transactions in respect of items (a)(i) and (ii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

(c) The remuneration of directors as disclosed in note 16 and other members of key management during the year was as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**5,334**	10,371
MPF contributions	**46**	72
	5,380	10,443

NOTES TO THE FINANCIAL STATEMENTS

31. CONTINGENT LIABILITY

At 31 March 2008, the Company had provided guarantees to a bank in respect of loans granted to its subsidiaries amounting to HK$433,874,000 (2007: HK$439,620,000).

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

32. 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 26 and 27, cash and cash equivalents and equity attributable to equity holders of the Company, comprising share capital and reserves as disclosed in notes 24 and 25 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:

	2008 **HK$'000**	2007 HK$'000
Debt	**433,874**	2,068,461
Equity	**214,992**	1,201,754
Debt to equity ratio	**202%**	172%

33. 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.

The Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the balance sheet 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. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

(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 2008, the Group has total available unutilised short-term bank loan facilities of approximately HK$111,000,000 (2007: Nil).

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.

33. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2008						
Bank borrowings	433,874	479,698	209,833	20,496	61,488	187,881
Other payables, deposits received and accrued charges	9,728	9,728	9,728	—	—	—
Dividend payable	1,522	1,522	1,522	—	—	—
Amounts due to a related company	607	607	607	—	—	—
Amount due to minority shareholder	6,408	6,408	6,408	—	—	—
	452,139	497,963	228,098	20,496	61,488	187,881
2007						
Bank borrowings	380,207	474,117	54,706	54,706	164,117	200,588
Other loan	59,413	65,354	—	65,354	—	—
Other payables, deposits received and accrued charges	16,506	16,506	16,506	—	—	—
Dividend payable	1,096	1,096	1,096	—	—	—
Amounts due to related companies	5,804	5,804	5,804	—	—	—
	463,026	562,877	78,112	120,060	164,117	200,588

(c) Fair value and cash flow interest rate risk

As the Group has no significant interest-bearing assets, 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 notes 26 and 27 to the financial statements. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

33. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value and cash flow interest rate risk (continued)

Sensitivity analysis

At 31 March 2008, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year by approximately HK$2,167,798 (2007: HK$2,202,975).

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 2007.

(d) Foreign exchange risk

Each group entity mainly operated in its local jurisdiction with most of the transactions settled in its 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.

(f) Fair values estimation

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

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2008 and 2007 may be categorised as follows:

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**11,219**	417,562
Financial liabilities		
Financial liabilities measured at amortised cost	**452,018**	2,124,907

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31 March 2008 are set out below:

Name of subsidiary	Place of incorporation	Particulars of capital	Percentage holding 2008	Percentage holding 2007	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**	—	Property holding

** Incorporated during the year*

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.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 9 July 2008.

FINANCIAL SUMMARY

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Year ended 31 March					
Turnover	**80,390**	239,268	171,485	104,129	90,840
(Loss)/profit attributable to equity holders of the Company	**(11,619)**	(92,304)	(108,876)	(132,625)	74,045
Assets and liabilities					
As at 31 March					
Total assets	**667,155**	3,326,954	3,323,581	3,218,164	2,591,929
Total liabilities	**(452,163)**	(2,125,200)	(2,063,978)	(1,608,480)	(861,600)
Minority interests	**612**	—	—	—	—
Equity attributable to equity holders of the Company	**215,604**	1,201,754	1,259,603	1,609,684	1,730,329

PARTICULARS OF PRINCIPAL PROPERTY

HOTEL PROPERTY

Particulars of the Group's hotel property as at 31 March 2008 are as follows:

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