

2008/09  
Interim Report



**MEXAN LIMITED**

**茂盛控股有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code : 22

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors:

Lun Chi Yim (*Chairman*)

Lun Yiu Kay Edwin

(*Managing Director*)

Ng Tze Ho Joseph

#### Independent Non-Executive Directors:

Tse Kwing Chuen

Ng Hung Sui Kenneth

Lam Yiu Pang Albert

### QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Nip Suk Ching

### PRINCIPAL BANKERS

Dah Sing Bank, Limited

The Hongkong and Shanghai

Banking Corporation 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 Fulcrum Group

(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](http://www.mexanhk.com)

### STOCK CODE

22

The board of directors (the “Board”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated accounts of the Group for the six months ended 30 September 2008 together with the comparative figures for the corresponding previous period are as follows:

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		<b>Unaudited Six months ended 30 September</b>	
	Notes	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
<b>CONTINUING OPERATIONS</b>			
Turnover	2	<b>41,322</b>	37,660
Direct costs		<b>(11,450)</b>	(10,539)
Gross profit		<b>29,872</b>	27,121
Other revenues	2	<b>9</b>	298
Administrative expenses		<b>(22,543)</b>	(22,785)
Profit from operations		<b>7,338</b>	4,634
Finance costs	3	<b>(5,049)</b>	(11,208)
Profit/(loss) before taxation		<b>2,289</b>	(6,574)
Taxation	4	<b>(598)</b>	—
Profit/(loss) for the period from continuing operations		<b>1,691</b>	(6,574)
<b>DISCONTINUED OPERATIONS</b>			
Loss for the period from discontinued operations		<b>—</b>	(822)
Profit/(loss) for the period	5	<b>1,691</b>	(7,396)
Attributable to:			
Equity holders of the Company		<b>1,765</b>	(7,335)
Minority interests		<b>(74)</b>	(61)
		<b>1,691</b>	(7,396)
Dividend		<b>—</b>	974,531
Basic earnings/(loss) per share (cents)			
— from continuing and discontinued operations	6	<b>0.135</b>	(0.560)
— from continuing operations	6	<b>0.135</b>	(0.497)

## CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Notes	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment		622,781	631,461
Intangible assets		9,431	10,014
Prepaid lease payments		11,396	11,547
Club debentures		1,350	1,350
		<b>644,958</b>	654,372
Current assets			
Inventories		325	348
Trade and other receivables, deposits and prepayments	7	110,992	3,655
Prepaid lease payments		302	302
Cash and bank balances		6,076	8,478
		<b>117,695</b>	12,783
Current liabilities			
Current portion of bank loans		301,802	203,625
Other payables, deposits received and accrued charges		12,888	9,728
Amount due to a related company		—	607
Amount due to minority shareholder		6,414	6,408
Dividend payable		1,515	1,522
Tax payable		622	24
		<b>323,241</b>	221,914
Net current liabilities		<b>(205,546)</b>	(209,131)
Total assets less current liabilities		<b>439,412</b>	445,241
Non-current liabilities			
Bank loans		222,729	230,249
Net assets		<b>216,683</b>	214,992
<b>EQUITY</b>			
Share capital		131,092	131,092
Reserves		86,277	84,512
Equity attributable to equity holders of the Company		217,369	215,604
Minority interests		(686)	(612)
Total equity		<b>216,683</b>	214,992

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Unaudited Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Net cash inflow from operating activities	14,950	108,090
Net cash outflow from investing activities	(103,132)	—
Net cash inflow/(outflow) from financing activities	85,780	(152,200)
Decrease in cash and cash equivalents	(2,402)	(44,110)
Cash and cash equivalents at beginning of period	8,478	53,167
Cash and cash equivalents at end of period	6,076	9,057
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	6,076	9,057

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Unaudited						Attributable to equity holders of the Company	Minority interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000			
At 1 April 2008	131,092	57,556	129	—	—	26,827	215,604	(612)	214,992
Profit/(loss) for the period	—	—	—	—	—	1,765	1,765	(74)	1,691
At 30 September 2008	131,092	57,556	129	—	—	28,592	217,369	(686)	216,683

	Unaudited						Attributable to equity holders of the Company	Minority interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000			
At 1 April 2007	131,092	57,556	129	12,156	45,129	955,692	1,201,754	—	1,201,754
Realisation on disposal of foreign operations recognised directly in equity	—	—	—	—	(45,129)	45,129	—	—	—
Loss for the period	—	—	—	—	—	(7,335)	(7,335)	(61)	(7,396)
Total recognised income and expense for the period	—	—	—	—	(45,129)	37,794	(7,335)	(61)	(7,396)
Dividend	—	—	—	—	—	(974,531)	(974,531)	—	(974,531)
At 30 September 2007	131,092	57,556	129	12,156	—	18,955	219,888	(61)	219,827

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on historical cost basis and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2008.

The following new amendments and interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not currently relevant to the Group.

HKAS 39 & HKFRS 7, Amendments	Reclassification of Financial Assets
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not early applied the following new standards or interpretations that have been issued but not yet effective:

		<b>Effective for annual periods beginning on or after</b>
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 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) — Int 15	Agreements for Construction of Real Estate	1 January 2009
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The directors of the Company are currently assessing the impact of the above new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the unaudited condensed consolidated interim financial statements.

## 2. REVENUES AND TURNOVER

Before the completion of the Group Reorganisation (details are set out in the Company's 2008 Annual Report) on 12 April 2007, the Group was principally engaged in hotel operation and toll road operation. After the Group Reorganisation, the Group is mainly engaged in hotel operation and money lending business. Revenues recognised during the period are as follows:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
<b>From continuing operations</b>		
Turnover		
Hotel operation	<b>37,279</b>	37,660
Money lending business		
— Loan arrangement fee income	<b>368</b>	—
— Loan interest income	<b>3,675</b>	—
	<b>4,043</b>	—
	<b>41,322</b>	37,660
Other revenues		
Interest income from bank	<b>9</b>	298
	<b>9</b>	298
<b>Total revenues</b>	<b>41,331</b>	37,958
<b>From discontinued operations</b>		
Turnover		
Toll road income	—	5,586
	—	5,586
Other revenues		
Interest income	—	11
	—	11
<b>Total revenues</b>	—	5,597



## 2. REVENUES AND TURNOVER *(Continued)*

### (A) PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS

During the six months ended 30 September 2008, the Group's turnover was generated from two main business segments:

- Hotel operation
- Money lending business

There are no sales or other transactions between the business segments.

#### For the six months ended 30 September 2008 (Unaudited)

	Continuing operations		Consolidated HK\$'000
	Hotel operation HK\$'000	Money lending business HK\$'000	
Turnover	37,279	4,043	41,322
Segment results	8,403	3,626	12,029
Unallocated corporate expenses (net)			(4,700)
			7,329
Interest income			9
Finance costs			(5,049)
Profit before taxation			2,289
Taxation charge			(598)
Profit for the period			1,691

## 2. REVENUES AND TURNOVER *(Continued)*

### (A) PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS *(Continued)*

For the six months ended 30 September 2007 (Unaudited)

	Continuing operations Hotel operation HK\$'000	Discontinued operations Toll road operation HK\$'000	Consolidated HK\$'000
Turnover	37,660	5,586	43,246
Segment results	9,238	2,981	12,219
Unallocated corporate expenses (net)			(5,776)
			6,443
Interest income			309
Finance costs			(14,148)
Loss before taxation			(7,396)
Taxation charge			—
Loss for the period			(7,396)

### (B) SECONDARY REPORTING FORMAT — GEOGRAPHICAL SEGMENT

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

	Unaudited Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
<b>From continuing operations</b>		
Hong Kong	41,322	37,660
<b>From discontinued operations</b>		
People's Republic of China	—	5,586
	41,322	43,246

### 3. FINANCE COSTS

Finance costs comprise the following:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
<b>From continuing operations</b>		
Interest on bank loans not wholly repayable within five years	2,774	4,857
Interest on bank loans wholly repayable within five years	2,671	5,894
Interest on other loans wholly repayable within five years	—	430
Total borrowing costs incurred	5,445	11,181
Bank charges	19	27
	5,464	11,208
Included in direct cost for money lending business	(415)	—
	5,049	11,208
<b>From discontinued operations</b>		
Interest on bank loans not wholly repayable within five years	—	2,940
	—	2,940

### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Overseas taxation is provided for the overseas operations in accordance with the tax laws of the countries in which the entities operate.

The amount of taxation charged to the consolidated income statement represents:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
Hong Kong profits tax	598	—

## 5. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period is stated after charging the following:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Staff costs	<b>11,886</b>	6,305
Depreciation of property, plant and equipment	<b>8,812</b>	9,045
Amortisation of intangible assets	<b>583</b>	2,321
Release of prepaid lease payments to profit or loss	<b>151</b>	—
Provision for doubtful debts	<b>19</b>	—

## 6. BASIC EARNINGS/(LOSS) PER SHARE

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

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Earnings/(loss)</b>		
Earnings/(loss) attributable to equity holders of the Company for the purpose of the calculation of basic earnings/(loss) per share		
Continuing operations	<b>1,765</b>	(6,513)
Discontinued operations	<b>—</b>	(822)
	<b>1,765</b>	(7,335)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings/(loss) per share	<b>1,310,925,244</b>	1,310,925,244

No diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 30 September 2008.

For the period ended 30 September 2007, diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.

## 7. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
Trade receivables (note (a))	<b>2,183</b>	2,609
Loan receivable (note (b))	<b>107,980</b>	—
Other receivables	<b>159</b>	132
Deposits and prepayments	<b>670</b>	914
	<b>110,992</b>	3,655

- (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 trade receivables are all net of impairment loss for bad and doubtful debts. The following is an ageing analysis of trade receivables at the balance sheet date:

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
Within 30 days	<b>1,952</b>	2,513
31 — 60 days	<b>207</b>	27
61 — 90 days	<b>—</b>	—
Over 90 days	<b>24</b>	69
	<b>2,183</b>	2,609

- (b) On 7 August 2008, the Group entered into a loan agreement with an independent third party (the “borrower”) whereby the Group provided a loan facility of HK\$104 million to the borrower for a period of 4 months from the date of drawdown (details are set out in the circular of the Company dated 25 August 2008). The loan was drawdown by the borrower on 8 August 2008. The borrower had paid the Group a non-refundable arrangement fee of 0.8% on the loan amount. The loan is interest bearing at 2% per month and secured by hotel properties namely Tatami Hotel and Hampton Hotel, located in Hong Kong. The loan should be due to be repaid on 7 December 2008. Upon the request of the borrower, the loan is now extended for a further term of 6 months and the interest will be charged on the loan outstanding.

## 8. BANK LOANS

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
At 30 September 2008, the Group's bank loans are secured and repayable as follows:		
Within one year	301,802	203,625
In the second year	15,171	14,989
In the third year	15,549	15,363
In the fourth year	15,936	15,746
In the fifth year	16,334	16,138
After five years	159,739	168,013
	524,531	433,874
Less: Amount due for settlement within 12 months (shown under current liabilities)	(301,802)	(203,625)
Amount due for settlement after 12 months	222,729	230,249

As at 30 September 2008, bank loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company and guarantees from directors and their related companies.

The bank loans carry a variable interest rate with reference to the Hong Kong Inter-Bank Offer Rate.

## 9. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
Authorised:		
At 1 April 2008 and 30 September 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 April 2008 and 30 September 2008	1,310,925,244	131,092

## **9. SHARE CAPITAL** *(Continued)*

On 24 October 2008, the shareholders of the Company passed a special resolution at the special general meeting regarding the Capital Reorganisation involving:—

- (i) Capital Reduction: the par value of each ordinary share of HK\$0.10 each in the existing issued share capital of the Company (the “Existing Share”) will be reduced from HK\$0.10 to HK\$0.02 by the cancellation of HK\$0.08 of the paid-up capital on each Existing Share;
- (ii) Sub-division: upon the Capital Reduction becoming effective, each of the authorised but unissued shares in the capital of the Company of par value HK\$0.10 each shall be sub-divided into 5 shares of par value HK\$0.02 each; and
- (iii) Cancellation: immediately following the Sub-division, the authorised share capital of the Company shall be reduced to HK\$60,000,000 divided into 3,000,000,000 shares of par value HK\$0.02 each by the cancellation of such number of shares as may be required to reduce the Company’s authorised share capital to HK\$60,000,000 divided into 3,000,000,000 shares of par value HK\$0.02 each in the authorised but unissued share capital of the Company.

Following the implementation of the Capital Reorganisation set out above, the Company’s authorised share capital shall be HK\$60,000,000 divided into 3,000,000,000 shares of par value HK\$0.02 each; and the credit of the entire amount arising from the Capital Reduction under the Capital Reorganisation shall be recorded to the Company’s contributed surplus account.

The Capital Reorganisation was effective on 31 October 2008.

## **10. RELATED PARTY TRANSACTIONS**

In opinion of the directors, before 12 April 2007, the ultimate controlling party of the Group is Mexan Group Limited which is incorporated in the British Virgin Islands. With effect from 12 April 2007, Winland Stock (BVI) Limited, which is incorporated in the British Virgin Islands, became the ultimate holding company of the Group after the completion of the Group Reorganisation.

## 10. RELATED PARTY TRANSACTIONS *(Continued)*

Details of transactions between the Group and other related parties are disclosed below.

- (a) During the period and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Rental expenses (i)	—	59
Management fee (ii)	—	381

- (i) Mexan Resources Limited, which was a wholly-owned subsidiary of the Company before the completion of 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 a 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. 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.



## 10. 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 completion of 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 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 item (a)(i) and (ii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the six months ended 30 September 2008 (2007: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

Turnover of the Group increased by about 10% when compared with the corresponding period in 2007. Turnover generated from the hotel operations is stable, as the turnover from the hotel operations recorded for the six months ended 30 September 2008 and 30 September 2007 amounted to approximately HK\$37.3 million and HK\$37.7 million respectively. Increase in turnover was mainly contributed from the loan arrangement fee income and the interest income generated from the loan advanced to an independent third party during the period under review.

As resulted from the decrease of finance costs due to the reduction of interest rate, and the income generated from the loan advanced to the independent third party, the Group recorded a profit of approximately HK\$1.7 million for the six months ended 30 September 2008 compared to a loss of approximately HK\$7.4 million for the corresponding period in 2007.

### **BUSINESS REVIEW AND OUTLOOK**

The Group mainly focuses on the operation of Mexan Harbour Hotel, a 800-room four-star hotel in Tsing Yi, which has maintained a satisfactory result for the period under review. In addition, the Group has also generated new revenue stream by engaging in the money lending business.

Due to the volatility in the global economic environment, the tourism industry in Hong Kong may be affected. Considering that there still be economic growth in the Mainland China, the management will endeavour to focus on PRC customers and control costs in order to minimize the impact.

Looking forward, the Group will closely monitor the performance of its business and strive to maintain a stable operating results, and it will continue to explore suitable investment opportunities for the Group.

## LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2008, the Group's total borrowings amounted to approximately HK\$525 million (31 March 2008: HK\$434 million). The increase of the Group's total borrowings was mainly used for the money lending business. As at 30 September 2008, cash and bank balances amounted to approximately HK\$6 million (31 March 2008: HK\$8 million). The Group's net assets as at 30 September 2008 amounted to HK\$217 million (31 March 2008: HK\$215 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 242% as at 30 September 2008 compared to approximately 202% as at 31 March 2008.

Of the Group's total borrowings as at 30 September 2008, approximately HK\$302 million (57.5%) would be due within one year, approximately HK\$15 million (2.9%) would be due in more than one year but not exceeding two years, approximately HK\$48 million (9.1%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$160 million (30.5%) would be due in more than five years.

The Group's total borrowings were denominated in Hong Kong dollars, and bear a variable interest rate.

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

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2008, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

## EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 September 2008, the total number of employees of the Group was approximately 138 (31 March 2008: 134). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the 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 a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

During the six months ended 30 September 2008, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") has been adopted on 27 September 2004 for a term of 10 years from the date of adoption. No option has been granted under the Scheme during the period from the date of its adoption up to 30 September 2008.

A summary of the principal terms of the Scheme has been set out in the 2008 annual report of the Company. The terms of the Scheme have never been amended since its adoption.

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

As at 30 September 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 Securities and Futures Ordinance ("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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### (1) LONG POSITIONS IN SHARES OF THE COMPANY

Name of Director	No. of shares of HK\$0.10 each held	Capacity and nature of interest	Approximate
			shareholding percentage as at 30 September 2008 (%)
Lun Chi Yim	1,798,121,024 (Note)	Interest of controlled corporation	137.16

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

### (1) LONG POSITIONS IN SHARES OF THE COMPANY *(Continued)*

Note:

These 1,798,121,024 shares (including 1,087,012,987 consideration shares to be issued and allotted by the Company in relation to the proposed major and connected transaction, details are set out in the Company's circular dated 2 October 2008, of which the transaction was voted down by the independent shareholders of the Company at the special general meeting held on 24 October 2008) 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 1,798,121,024 shares under the SFO.

As at 30 September 2008, these 1,087,012,987 consideration shares had not yet been allotted and issued to Winland Wealth (BVI) Limited as the conditions had not been fulfilled according to the conditions stated in the agreements dated 31 August 2008 and 12 September 2008 between the Company and Winland Enterprises Limited, a company 99% owned by Mr. Lun Chi Yim. However, these shares were regarded as the deemed interests and should be disclosed under Part XV of the SFO.

### (2) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATION

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity and nature of interest	Shareholding percentage as at 30 September 2008 (%)
Winland Stock (BVI) Limited	Lun Chi Yim	1	Beneficial owner	100
Winland Wealth (BVI) Limited	Lun Chi Yim	1	Interest of controlled corporation	100

Save as disclosed above, as at 30 September 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 six months ended 30 September 2008 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 and nature of interest	Approximate shareholding percentage as at 30 September 2008 (%)
Winland Wealth (BVI) Limited (Note i)	Long	1,798,121,024 (Note i)	Beneficial owner	137.16
Suen Chui Fan (Note ii)	Long	1,798,121,024 (Note ii)	Interest of spouse	137.16
Winland Stock (BVI) Limited (Note iii)	Long	1,798,121,024 (Note iii)	Interest of controlled corporation	137.16

## SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

- i. Mr. Lun Chi Yim was deemed to be interested by virtue of the SFO in the 1,798,121,024 shares (including 1,087,012,987 consideration shares to be issued and allotted by the Company in relation to the proposed major and connected transaction, details are set out in the Company's circular dated 2 October 2008, of which the transaction was voted down by the independent shareholders of the Company at the special general meeting held on 24 October 2008) 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.

As at 30 September 2008, these 1,087,012,987 consideration shares had not yet been allotted and issued to Winland Wealth (BVI) Limited as the conditions had not been fulfilled according to the conditions stated in the agreements dated 31 August 2008 and 12 September 2008 between the Company and Winland Enterprises Limited, a company 99% owned by Mr. Lun Chi Yim. However, these shares were regarded as the deemed interests and should be disclosed under Part XV of the SFO.

- 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 1,798,121,024 shares of the Company by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited. These 1,798,121,024 shares was the same portion of interest as disclosed in note (i) above.

Save as disclosed above, as at 30 September 2008, none of the substantial shareholder or other persons, other than the Directors or chief executive of the Company, had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## **CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2008 except for the following deviation:

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 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 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.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2008 and discussed with the management the accounting principles and practices and internal control of the Group.

## **REMUNERATION COMMITTEE**

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises three members, a majority of whom are independent non-executive directors. 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.



## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. 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 transactions during the period.

## APPRECIATION

We would like to thank all of our customers, suppliers, shareholders, professional advisers and bankers for their continuous support and all members of our management and staff for their dedicated work and effort during the period under review.

By Order of the Board

**Lun Chi Yim**

*Chairman*

Hong Kong, 17 December 2008