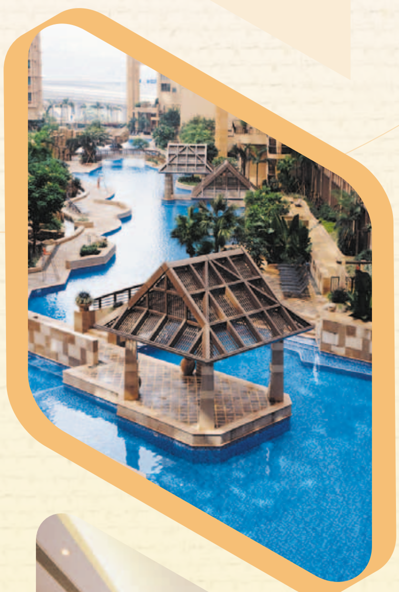
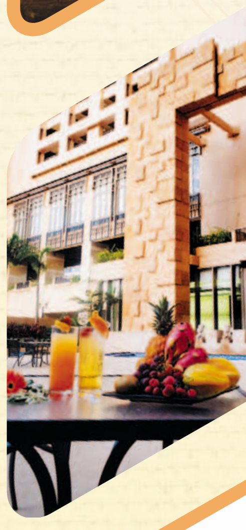
MEXAN LIMITED
茂盛控股有限公司
(Incorporated in Bermuda with limited liability)
Stock Code : 22

ANNUAL REPORT 2011







This annual report, in both English and Chinese versions, is available on the Company's website at www.mexanhk.com (The "Company Website").

Shareholders who have chosen or have been deemed consent to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the annual report posted on the Company Website will promptly upon request be sent the annual report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive the annual report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Branch Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-Executive Directors:

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lam Yiu Pang Albert

COMPANY SECRETARY

Mui Ngar May Joel

PRINCIPAL BANKERS

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

AUDITOR

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR IN HONG KONG

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

WEBSITE

www.mexanhk.com

STOCK CODE

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CHAIRMAN'S STATEMENT

I presented the operations of MEXAN LIMITED (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2011.

OPERATIONS

Turnover generated from hotel operations for recent years

The turnover generated from hotel operations for recent years was presented as follows:

	Year ended 31/3/2011 HK$'000	Year ended 31/3/2010 HK$'000	Year ended 31/3/2009 HK$'000
Hotel rooms sales	**74,028**	60,698	70,306
Food and beverage income	**5,289**	4,822	4,916
Miscellaneous sales	**675**	561	546
Turnover	**79,992**	66,081	75,768

Turnover generated from hotel rooms sales and food and beverage was increasing when comparing the amount between year ended 31 March 2011 and year ended 31 March 2010.

On the other hand, loan interest income was approximately HK$596,000 for year ended 31 March 2011 and it was decreasing when compared with approximately HK$16,711,000 for year ended 31 March 2010. The board of directors considered that the loan interest income is unusual and non-current and it was not the major business of the Company. It is high risk exposure and it should be control carefully.

PROSPECTS

As benefited from the reforming of the hotel rooms sales system and a recovering economic environment, it is expected that the operating performance of the hotel business in the Group for the coming year will have improvement when compared to this year.

APPRECIATION

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

Lun Chi Yim
Chairman

Hong Kong, 23 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

Hotel business

The Group operates the Mexan Harbour Hotel, a 800-room hotel in Tsing Yi, maintained an average occupancy rate of approximately 96% for the year under review, compared to an average occupancy rate of approximately 85% for last year. The increase in turnover in current year was mainly due to the economic recovery and the rising number of in bound tours and visitors.

Others

Approximately HK$0.6 million of other income generated for the year ended 31 March 2011 which represented the loan interest income generated from money lending business. The loan interest income was substantially generated from a loan to a third party amounted to HK$2.7 million.

LIQUIDITY AND FINANCIAL INFORMATION

During the year, cash flow of the Group was mainly generated from the hotel operations and money lending business. As at 31 March 2011, the Group's total borrowings amounted to approximately HK$355 million compared with approximately HK$379 million as at 31 March 2010. The decrease of the Group's total borrowings was due to the partial repayment of the loan.

As at 31 March 2011, cash and bank balances amounted to approximately HK$12 million compared with cash and bank balances of approximately HK$6 million last year. The Group's net assets as at 31 March 2011 amounted to approximately HK$234 million compared with approximately HK$230 million last year.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 152% as at 31 March 2011 compared to approximately 165% as at 31 March 2010. 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 147% compared with approximately 162% last year.

Of the Group's total bank loans as at 31 March 2011, approximately HK$175 million would be due within one year and approximately HK$180 million would be due repayment after one year which is subject to a repayable on demand clause. The total borrowings were denominated in HKD and bear a variable interest rate.

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

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

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

In addition, the Group had not implemented major hedging or other alternative measures during the year ended 31 March 2011 as the foreign currency risk exposure was considered to be minimal. As at 31 March 2011, 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 2011 was approximately HK$234 million compared with approximately HK$230 million last year. Total equity attributable to equity holders of the Company as at 31 March 2011 was approximately HK$234 million compared with approximately HK$231 million last year. The increase was resulted from the profit generated for the year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 March 2011, the total number of employees of the Group was 129 (2010: 132). 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 that cover all the eligible employees of the Group.

CONTINGENT LIABILITY

(a) On 16 January 2010, a borrower ("the Borrower") commenced a legal action against the Company, Winland Mortgage Limited ("Winland Mortgage"), a wholly owned subsidiary of the Company, and a director of the Company for breach of Settlement Deed.

The court opined that the deed of settlement did not bar Winland Mortgage's rights to seek redress against the Borrower on the HK$104 million loan facility ("Loan Facility"), and therefore the claims by the Borrower in the legal action are unlikely to succeed. The Borrower filed a notice to appeal against the decision of Court on 13 February 2010 and subsequently to 24 May 2010, the Borrower was compulsorily wound up by the High Court and the liquidators of the Borrower had not made any indication to pursue the above actions.

No further progress is noted for the above litigation case up to the date of the approval of this consolidated financial statements.

(b) At the end of the reporting period, the Company had a financial guarantee contract issued to a bank in respect of banking facilities of an aggregate amount of HK$565,801,000 (2010: HK$580,584,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$355,141,000 (2010: HK$379,302,000) as at 31 March 2011. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

CORPORATE GOVERNANCE REPORT

CODE ON 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, except for the deviation from code provision A.4.2 of the CG Code as disclosed in this report. Please refer to the section of "Nomination and re-election of Directors" hereafter.

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 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 2011 and up to the date of this report were:

Executive Directors

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

Independent Non-Executive Directors

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lam Yiu Pang Albert

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 Directors' report with 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 that 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 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 2011, other than resolutions passed by means of resolutions in writing of Directors, the Board held nine meetings. The following table shows the attendance records of individual Director at the meetings of the Board held for the year ended 31 March 2011:—

Directors' Attendance

	Number of Board meetings held during the Director's term of office during the year ended 31 March 2011	Number of meeting(s) attended
Executive Directors		
Mr. Lun Chi Yim *(Chairman)*	9	9
Mr. Lun Yiu Kay Edwin *(Managing Director)*	9	8
Mr. Ng Tze Ho Joseph	9	9
Independent Non-Executive Directors		
Dr. Tse Kwing Chuen	9	9
Mr. Ng Hung Sui Kenneth	9	9
Mr. Lam Yiu Pang Albert	9	9

CHAIRMAN AND MANAGING DIRECTOR

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

NON-EXECUTIVE DIRECTORS

The term of office of each present independent non-executive director is for a period of 2 years from 19 April 2011 to 18 April 2013, subject to retirement by rotation in accordance with the Bye-laws of the Company.

EXECUTIVE COMMITTEE

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

During the year, two Executive Committee meetings were held and the individual attendance of each member is set out below:

Name of Members	Number of Executive Committee meetings held during member's term of office during the year ended 31 March 2011	Number of meeting(s) attended
Mr. Lun Chi Yim (Chairman)	2	2
Mr. Lun Yiu Kay Edwin	2	2
Mr. Ng Tze Ho Joseph	2	2

REMUNERATION COMMITTEE

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

REMUNERATION COMMITTEE (continued)

During the year, two Remuneration Committee meetings were held and the individual attendance of each member is set out below:

Name of Members	Number of Remuneration Committee meetings held during the member's term of office during the year ended 31 March 2011	Number of meetings attended
Mr. Lun Yiu Kay Edwin (Chairman)	2	2
Mr. Ng Hung Sui Kenneth	2	2
Mr. Lam Yiu Pang Albert	2	2

During the meetings, 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 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 in compliance with the Listing Rules and comprised of three members, all of them are Independent Non-Executive Directors. 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 and external auditor.

AUDIT COMMITTEE (continued)

During the year, three Audit Committee meetings were held, one of which was attended by the external auditor, BDO Limited. The individual attendance of each member is set out below:

Name of Members	Number of Audit Committee meetings held during the member's term of office during the year ended 31 March 2011	Number of meeting attended
Mr. Lam Yiu Pang Albert *(Chairman)*	3	3
Mr. Ng Hung Sui Kenneth	3	3
Dr. Tse Kwing Chuen	3	3

Summary of work done for the year ended 31 March 2011:—

- review of final results and draft audited financial statements for the year ended 31 March 2011;
- review of interim results and draft unaudited financial statements for the six months ended 30 September 2010;
- consideration and approval of the re-appointment of auditors and audit fee; and
- review of the internal control review report conducted by an external consultancy firm.

The Audit Committee has also reviewed with BDO Limited the audited financial statements for the year ended 31 March 2011 and has also discussed auditing, internal controls and financial reporting matters of the Group.

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

NOMINATION AND RE-ELECTION OF DIRECTORS

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

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

AUDITOR’S REMUNERATION

BDO Limited is the auditor of the Company. During the year ended 31 March 2011, the fees charged by BDO Limited to the financial statements of the Company and its subsidiaries for statutory audit amounted to HK$440,000.

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 2011, 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.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS (continued)

The statement of the auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group is set out in the "Independent 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.

INTERNAL CONTROLS

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

The Board has engaged an external consultancy firm to conduct review of the effectiveness of the internal control systems. The review covers all material controls, including financial, operational and compliance controls, and risk management functions of hotel operation. The external consultancy firm has identified some areas for improvement and the Group will take appropriate measures.

The audit committee and the Board also considered the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget under the internal control review.

DIRECTORS' REPORT

The directors ("Directors" or individually, the "Director") of MEXAN LIMITED (the "Company") submit their report together with the audited consolidated financial statements for the year ended 31 March 2011.

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 2011 are set out in note 32 to the consolidated financial statements.

An analysis of turnover and segment reporting of the Company and its subsidiaries (the "Group") for the year by principal activities is set out in Notes 6 and 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 28.

The state of affairs of the Group and the Company as at 31 March 2011 are set out in the statement of financial position on pages 29 to 31.

The cash flows of the Group are set out in the consolidated statement of cash flows on page 33.

As at 31 March 2011, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$34,122,000 (2010: HK$24,644,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2011 (2010: Nil).

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 24 to the consolidated 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 32 and in note 25 the consolidated 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 78.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in hotel property and other property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

PRINCIPAL PROPERTY

Particulars of the Group's hotel property are set out on page 79.

BANK LOANS

Particulars of the Group's bank loans are set out in Note 23 to the consolidated 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 22% and 52% 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% during the year.

DIRECTORS

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

Executive Directors:

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

Independent Non-Executive Directors:

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lam Yiu Pang Albert

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ng Tze Ho Joseph shall retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. (see note below)

Note: Subsequent to the date of this report, Ms. Suen Chui Fan was appointed as Director on 28 June, 2011. In accordance with the Company's Bye-Laws, Ms. Suen, being nearly appointed Director retires and being eligible, offer herself for re-election at the forthcoming-annual general meeting of the Company. Details of Ms. Suen are set out in a circular to shareholders of the Company dated 22 July 2011.

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 Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Executive Directors

Mr. Lun Chi Yim, aged 77, has been a Director and the Chairman of the Board since April 2007. Mr. Lun is an experienced real property investor. He is a graduate of the Civil Engineering Department in the South China University of Technology in the People's Republic of China (the "PRC") in 1957. He was engaged in the architectural design and structural engineering design after graduation, and involved in property investment in Hong Kong since late 1960's. He was appointed as a Guest Professor in the South China University of Technology in the PRC in 2001. He is the First Permanent Honorary President and Honorary Chairman of the Hong Kong Real Estate Agencies General Association, an Honorary Citizen of Lo Din city in Guangdong Province of the PRC, the Permanent Honorary President, Standing Vice President and Chairman of the Past Presidents Council of China Universities Alumni (H.K.) Association, Honorary Chairman and Standing Committee Member of Federation of Hong Kong Guangdong Community Organisations.

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

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

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

Mr. Lun Yiu Kay Edwin, aged 41, 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 17 years' experience in property investment, finance and management. He is also experienced in hotel management and in the tourism industry. Mr. Lun joined the Winland Group in 1994 and is currently a director of various companies in the Winland Group.

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

Mr. Ng Tze Ho Joseph, aged 39, 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 16 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 60, has been a Director since April 2007. He is also a member of the audit committee of the Board. Dr. Tse obtained a Master's Degree in Economics from the Zhongshan University, the PRC and a Doctorate's Degree of Philosophy in Business Administration from the Bulacan State University, the Republic of the Philippines. Dr. Tse is 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 44, has been a Director since April 2007. He is also a member of the audit committee and remuneration committee of the Board. Mr. Ng obtained a Bachelor's Degree in Laws from the University of Hong Kong and is a solicitor practising in Hong Kong since 1992. He was also admitted as a solicitor in England and Wales in 1993 and as a legal practitioner in Tasmania, Australia in 1994. He is a partner of Messrs. Yaddy Cheung & Co. Solicitors and is a Notary Public of Hong Kong. He is a member both of the Standing Committee on External Affairs and the Criminal Law & Procedure Committee of the Law Society of Hong Kong.

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

Mr. Lam Yiu Pang Albert, aged 64, has been a Director since April 2007. He is also the Chairman of the audit committee and a member of the remuneration committee of the Board. Mr. Lam obtained a Bachelor's Degree in Economics from the University of Tasmania, Australia. He is an associate member of The Institute of Chartered Accountants in Australia, and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

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

DIRECTORS' INTERESTS IN CONTRACTS

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 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

(i) Long positions in shares of the Company

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

Note:

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

(ii) Long positions in shares of associated corporation

Name of associated corporation	Name of Director	No. of shares of US$1.00 each held	Capacity/ natureof 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 2011, 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	Winland Hotel Management Limited (Note)	Hotel management	As substantial shareholder and director
	Winland Finance Limited	Money lending	As substantial shareholder and director
Lun Yiu Kay Edwin	Winland Hotel Management Limited (Note)	Hotel management	As director
	Winland Finance Limited	Money lending	As director

Note:

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

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

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

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

As at 31 March 2011, 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/ Beneficial interest	54.24
Suen Chui Fan (Note ii)	Long	711,108,037 (Note ii)	Interest of spouse/ Family interest	54.24
Winland Stock (BVI) Limited (Note iii)	Long	711,108,037 (Note iii)	Interest of controlled corporation/ Corporate interest	54.24

Notes:

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

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

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

MANAGEMENT CONTRACTS

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

REVIEW BY AUDIT COMMITTEE

At the date of this report, the Audit Committee of the Company comprises three Independent Non-Executive Directors namely, Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. The Audit Committee has reviewed with the Group's auditors, BDO Limited, the audited financial statements for the year ended 31 March 2011 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 consolidated financial statements have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board
MEXAN LIMITED

Lun Chi Yim
Chairman

Hong Kong, 23 June 2011

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TO THE SHAREHOLDERS OF MEXAN LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Mexan Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 77, which comprise the consolidated and company statements of financial position as at 31 March 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act, 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 about whether the consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate no. P05309

Hong Kong, 23 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	7	**79,992**	66,081
Direct costs		**(26,304)**	(22,036)
Gross profit		**53,688**	44,045
Other revenue	7	**599**	16,712
Administrative expenses		**(44,072)**	(50,093)
Finance costs	8	**(3,376)**	(6,204)
Profit before income tax	9	**6,839**	4,460
Income tax expense	10	**(3,762)**	(2,901)
Profit and total comprehensive income for the year		**3,077**	1,559
Profit and total comprehensive income attributable to:			
Owners of the Company		**3,231**	1,713
Non-controlling interests		**(154)**	(154)
		3,077	1,559
Basic earnings per share (HK cents)	13	**0.25**	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	31/3/2011 HK$'000	31/3/2010 HK$'000 (Restated)	1/4/2009 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	**579,264**	596,489	613,976
Intangible assets	16	**6,514**	7,681	8,847
Prepaid lease payments	17	**10,641**	10,943	11,245
Club debentures	19	**1,350**	1,350	1,350
		597,769	616,463	635,418
Current assets				
Inventories	20	**194**	226	276
Prepaid lease payments	17	**302**	302	302
Trade and other receivables, deposits and prepayments	21	**6,225**	10,675	4,398
Loans receivable	22	**2,863**	2,701	125,225
Tax recoverable		**403**	1,577	—
Bank balances		**12,464**	6,202	5,248
		22,451	21,683	135,449
Current liabilities				
Other payables, deposits received and accrued charges		**16,530**	16,866	7,354
Amounts due to directors		**384**	—	—
Amount due to a minority shareholder	27(b)	**6,414**	6,414	6,414
Dividend payable		**1,515**	1,515	1,515
Bank loans	23	**355,141**	379,302	522,453
Tax payable		**—**	—	2,814
		379,984	404,097	540,550
Net current liabilities		**(357,533)**	(382,414)	(405,101)
Total assets less current liabilities		**240,236**	234,049	230,317

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	31/3/2011 HK$'000	31/3/2010 HK$'000 (Restated)	1/4/2009 HK$'000 (Restated)
Total assets less current liabilities		**240,236**	234,049	230,317
Non-current liabilities				
Deferred tax liabilities	26	**6,703**	3,593	1,420
Net assets		**233,533**	230,456	228,897
EQUITY				
Share capital	24	**26,218**	26,218	26,218
Reserves		**208,396**	205,165	203,452
Equity attributable to owners of the Company		**234,614**	231,383	229,670
Non-controlling interests		**(1,081)**	(927)	(773)
Total equity		**233,533**	230,456	228,897

On behalf of the Board

Lun Chi Yim
Director

Lun Yiu Kay Edwin
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**8**	11
Interests in subsidiaries	18	**225,104**	215,306
Club debentures	19	**1,350**	1,350
		226,462	216,667
Current assets			
Deposits and prepayments		**60**	69
Bank balances		**1,551**	1,626
		1,611	1,695
Current liabilities			
Other payables and accrued charges		**2,762**	2,524
Dividend payable		**1,515**	1,515
Amount due to a subsidiary	18(b)	**897**	902
		5,174	4,941
Net current liabilities		**(3,563)**	(3,246)
Net assets		**222,899**	213,421
EQUITY			
Share capital	24	**26,218**	26,218
Reserves	25	**196,681**	187,203
Total equity		**222,899**	213,421

On behalf of the Board

Lun Chi Yim
Director

Lun Yiu Kay Edwin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2009	26,218	57,556	129	104,874	40,893	229,670	(773)	228,897
Total comprehensive income for the year	—	—	—	—	1,713	1,713	(154)	1,559
At 31 March 2010	26,218	57,556	129	104,874	42,606	231,383	(927)	230,456
Total comprehensive income for the year	—	—	—	—	3,231	3,231	(154)	3,077
At 31 March 2011	26,218	57,556	129	104,874	45,837	234,614	(1,081)	233,533

Nature and purpose of the reserves are disclosed in Note 25.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before income tax	**6,839**	4,460
Interest income	**(599)**	(16,712)
Interest expenses	**3,351**	6,198
Depreciation of property, plant and equipment	**17,285**	17,576
Amortisation of intangible assets	**1,167**	1,166
Loss on disposal of property, plant and equipment	**1**	—
Release of prepaid lease payments to profit or loss	**302**	302
Operating cash flows before working capital changes	**28,346**	12,990
Decrease in inventories	**32**	50
Decrease/(increase) in trade and other receivables, deposits and prepayments	**4,450**	(6,277)
Decrease in loans receivable	**—**	106,200
(Decrease)/increase in other payables, deposits received and accrued charges	**(336)**	9,538
Increase in amounts due to directors	**384**	—
Net cash generated from operations	**32,876**	122,501
Interest received	**437**	33,036
Interest paid	**(3,351)**	—
Tax refunded/(paid)	**522**	(5,119)
Net cash generated from operating activities	**30,484**	150,418
Investing activities		
Purchase of property, plant and equipment	**(61)**	(89)
Net cash used in investing activities	**(61)**	(89)
Financing activities		
New bank loans	**—**	11,000
Repayment of bank loans	**(24,161)**	(154,151)
Interest paid	**—**	(6,224)
Net cash used in financing activities	**(24,161)**	(149,375)
Increase in cash and cash equivalents	**6,262**	954
Cash and cash equivalents at beginning of year	**6,202**	5,248
Cash and cash equivalents at end of year	**12,464**	6,202
Analysis of the balances of cash and cash equivalents		
Bank balances	**12,464**	6,202

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's consolidated financial statements.

HKFRS 3 (Revised) — Business Combinations and HKAS 27(Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 4 to the consolidated financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the consolidated financial statements as there has been no business combination transaction during the year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2010 (continued)

HKFRS 3 (Revised) — Business Combinations and HKAS 27(Revised) — Consolidated and Separate Financial Statements (continued)

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the consolidated financial statements.

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate and therefore the adoption of revised HKAS 17 has had no impact on the consolidated financial statements.

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2010 (continued)

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (continued)

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2009, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of HK Interpretation 5 on the consolidated statement of financial position as follow:

	31/3/2011	31/3/2010	1/4/2009
	HK$000	HK$000	HK$000
Increase/(decrease) in			
Current liabilities			
Bank loans	**180,113**	197,487	213,271
Non-current liabilities			
Bank loans	**(180,113)**	(197,487)	(213,271)

(b) Issued new/revised HKFRSs that are potentially relevant to the Group but are not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1&2]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) Issued new/revised HKFRSs that are potentially relevant to the Group but are not yet effective (continued)

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

HKFRS 9 "Financial Instruments", replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice, on investment-by-investment basis, to recognise the gains and losses in other comprehensive income that will not be recycled to profit or loss. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. BASIS OF PREPARATION (continued)

(b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention.

The consolidated financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern, notwithstanding the fact that the Group and the Company suffered from net current liabilities of HK$357,533,000 and HK$3,563,000 respectively as at 31 March 2011 (2010: HK$382,414,000 and HK$3,246,000).

In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that:

(i) As at 31 March 2011, the Group has total banking facilities of HK$549,141,000. Drawdown from this facility will be subject to the bank's normal approval procedures. As at 31 March 2011, about HK$194,000,000 of these facilities still remain unused; and

(ii) The bank loans with the aggregate carrying amount of approximately HK$180,113,000 that are repayable more than one year after the end of the reporting period per loan agreement, with repayment on demand clause, have been classified as current liabilities as at 31 March 2011 in order to comply with the requirements set out in Hong King Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. Taking into account the Group's financial position, the directors believe that the bank will not exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company and each of the group entities.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Business combination and basis of consolidation (continued)

Business combination from 1 January 2010 (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the non-controlling's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiary

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates of depreciation are as follows:

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(e) Intangible assets

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

(f) Club debentures

Club debentures are stated at cost less impairment losses.

(g) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets and the Company's investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of other assets (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 to the extent 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.

(h) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade and other receivables, loans receivable, deposits and bank balances. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;
— a breach of contract, such as a default or delinquency in interest or principal payments;
— granting concession to a debtor because of debtors' financial difficulty;
— it becoming probable that the debtor will enter bankruptcy or other financial reogranisation;

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset 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 the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

An impairment loss is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred, which include loans, payables and borrowings. Financial liabilities are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(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 consolidated statement of cash flows.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement scheme obligations

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

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

(o) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. 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 in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 statement of financial position 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 directly 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(q) 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

Key sources of estimation uncertainty

(i) 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.

(ii) Assessment of impairment of loans receivable

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

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

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

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Hotel operation business
- Money lending business

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Corporate expenses, assets and liabilities are not allocated to the reportable segments as they are not included in the measure of the segments' profit, assets and liabilities that is used by the chief operating decision-makers for assessment of segment performance.

(a) Business segments

	Hotel operation business		Money lending business		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**79,992**	66,081	**596**	16,711	**80,588**	82,792
Reportable segment profit/(loss)	**15,404**	9,385	**(97)**	6,285	**15,307**	15,670
Interest revenue	**3**	1	**—**	—	**3**	1
Interest expense	**(2,832)**	(5,229)	**—**	—	**(2,832)**	(5,229)
Depreciation and amortisation	**(18,446)**	(18,739)	**—**	—	**(18,446)**	(18,739)
Income tax expenses	**(3,698)**	(2,173)	**—**	(728)	**(3,698)**	(2,901)
Reportable segment assets	**600,013**	615,974	**6,780**	7,852	**606,793**	623,826
Additions to non-current assets	**61**	89	**—**	—	**61**	89
Reportable segment liabilities	**315,663**	387,753	**34**	9,400	**315,697**	397,153

6. SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2011 HK$'000	2010 HK$'000
Profit before income tax		
Reportable segment profit	**15,307**	15,670
Unallocated corporate expenses	**(5,092)**	(5,981)
Finance costs	**(3,376)**	(5,229)
Consolidated profit before income tax	**6,839**	4,460

	2011 HK$'000	2010 HK$'000
Assets		
Reportable segment assets	**606,793**	623,826
Unallocated corporate assets		
— Prepaid lease payments	**10,943**	11,245
— Others	**2,484**	3,075
	13,427	14,320
Consolidated total assets	**620,220**	638,146

	2011 HK$'000	2010 HK$'000
Liabilities		
Reportable segment liabilities	**315,697**	397,153
Unallocated corporate liabilities		
— Bank loan	**54,117**	—
— Amount due to a minority shareholder	**6,414**	6,414
— Others	**10,459**	4,123
	70,990	10,537
Consolidated total liabilities	**386,687**	407,690

6. SEGMENT REPORTING (continued)

(c) Geographical information

During 2011 and 2010, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

(d) Information about a major customer

The Group's customer base is diversified and there was one customer in the hotel operation business (2010: four) with whom transactions have exceeded 10% of the Group's revenue. In 2011, revenue from one customer in the hotel business segment amounted to approximately HK$17,815,000 (2010: revenue from three customers in the hotel business segment amounted to approximately HK$11,400,000, HK$9,910,000 and HK$8,810,000 and revenue from the one customer in the money lending business amounted to approximately HK$16,200,000).

7. TURNOVER AND OTHER REVENUE

Turnover which is also the Group's revenue, which represents the service provided, net of rebates and discounts arrived from hotel operation.

An analysis of the Group's turnover and other revenue are as follows:

	2011 HK$'000	2010 HK$'000
Turnover		
Hotel operations and management services		
— Hotel room sales	**74,028**	60,698
— Food and beverage income	**5,289**	4,822
— Miscellaneous sales	**675**	561
	79,992	66,081
Other revenue		
Loan interest income	**596**	16,711
Bank interest income	**3**	1
	599	16,712
Total revenue	**80,591**	82,793

8. FINANCE COSTS

Finance costs comprise the following:

	2011 HK$'000	2010 HK$'000
Interest on bank loans		
— wholly repayable within five years	**1,437**	3,346
— not wholly repayable within five years	**1,914**	2,852
Total borrowing costs incurred	**3,351**	6,198
Bank charges	**25**	6
	3,376	6,204

9. PROFIT BEFORE INCOME TAX

	2011 HK$'000	2010 HK$'000
Profit before income tax is arrived at after charging/(crediting) the following:		
Cost of services provided	**26,304**	22,036
Auditor's remuneration	**440**	420
Depreciation of property, plant and equipment	**17,285**	17,576
Amortisation of intangible assets	**1,167**	1,166
Loss on disposal of property, plant and equipment	**1**	—
(Reversal of)/provision for doubtful debt	**(232)**	232
Release of prepaid lease payments to profit or loss	**302**	302
Staff costs (including directors' emoluments as disclosed in Note 14)		
— Salaries and allowances	**27,210**	30,977
— Retirement benefit cost	**928**	902
	28,138	31,879

10. INCOME TAX EXPENSE

(a) Hong Kong profits tax is provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

The income tax charge in the consolidated statement of comprehensive income represents:

	2011 HK$'000	2010 HK$'000
Current year tax charge	652	728
Deferred tax charge (Note 26)	3,110	2,362
Over-provision in prior year	—	(189)
	3,110	2,173
	3,762	2,901

(b) The income tax charge for the year can be reconciled to the accounting profit as follows:

	2011 HK$'000	2010 HK$'000
Profit before income tax	6,839	4,460
Calculated at the tax rate of 16.5%(2010: 16.5%)	1,128	736
Tax effect of expenses not deductible for tax purposes	1,795	1,690
Tax effect of income non-taxablefor tax purpose	—	(263)
Over-provision in prior year	—	(189)
Unrecognised tax losses and deductible temporary differences	839	927
Income tax charge	3,762	2,901

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company for the year include loss of HK$4,702,000 (2010: loss of HK$5,622,000) which has been dealt with in the financial statements of the Company.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(continued)

Reconciliation of the above amount to the Company's profit and total comprehensive income for the year:

	2011	2010
	HK$'000	HK$'000
Amount of consolidated loss attributable to owners dealt with the Company's financial statements	**(4,702)**	(5,622)
Reversal of provision for impairment loss on amounts due from subsidiaries made in prior years	**14,180**	999
Company's profit/(loss) and total comprehensive income for the year (Note 25(iii))	**9,478**	(4,623)

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2010: HK$Nil).

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2011	2010
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**3,231**	1,713
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,310,925,244**	1,310,925,244

No diluted earnings per share is shown as the Company has no dilutive potential ordinary shares outstanding during both years.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

For the year ended 31 March 2011

Name of director	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Bonus HK$'000**	**MPF contributions HK$'000**	**Total HK$'000**
Executive directors					
Lun Chi Yim	**120**	**385**	**1,400**	**—**	**1,905**
Lun Yiu Kay Edwin	**120**	**51**	**1,400**	**—**	**1,571**
Ng Tze Ho Joseph	**40**	**—**	**—**	**—**	**40**
	280	**436**	**2,800**	**—**	**3,516**
Independent non-executive directors					
Tse Kwing Chuen	**120**	**—**	**—**	**—**	**120**
Ng Hung Sui Kenneth	**120**	**—**	**—**	**—**	**120**
Lam Yiu Pang Albert	**120**	**—**	**—**	**—**	**120**
	360	**—**	**—**	**—**	**360**
Total	**640**	**436**	**2,800**	**—**	**3,876**

For the year ended 31 March 2010

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	MPF contributions HK$'000	Total HK$'000
Executive directors					
Lun Chi Yim	—	—	4,000	—	4,000
Lun Yiu Kay Edwin	—	—	4,000	—	4,000
Ng Tze Ho Joseph	—	—	—	—	—
	—	—	8,000	—	8,000
Independent non-executive directors					
Tse Kwing Chuen	100	—	—	—	100
Ng Hung Sui Kenneth	100	—	—	—	100
Lam Yiu Pang Albert	100	—	—	—	100
	300	—	—	—	300
Total	300	—	8,000	—	8,300

On 3 July 2009, the executive directors of the Company agreed to waive their directors' fee for the period from 19 April 2009 to 18 April 2010.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2010: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**1,662**	2,495
MPF contributions	**24**	24
	1,686	2,519

Their emoluments fell within the emolument band of HK$0 — HK$1,000,000 for the years ended 31 March 2011 and 2010.

(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.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel property HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 April 2009	686,275	2,443	688,718
Additions	—	89	89
At 31 March 2010	686,275	2,532	688,807
Additions	—	61	61
Disposals	—	(13)	(13)
At 31 March 2011	**686,275**	**2,580**	**688,855**
Accumulated depreciation			
At 1 April 2009	72,917	1,825	74,742
Charge for the year	17,157	419	17,576
At 31 March 2010	90,074	2,244	92,318
Charge for the year	17,157	128	17,285
Written back on disposal	—	(12)	(12)
At 31 March 2011	**107,231**	**2,360**	**109,591**
Net carrying value			
At 31 March 2011	**579,044**	**220**	**579,264**
At 31 March 2010	596,201	288	596,489

At 31 March 2011, the Group's hotel property with a carrying value of HK$579,044,000 (2010: HK$596,201,000) was located in Hong Kong under medium lease term and was pledged to a bank for granting loans to the Group amounting to HK$355,141,000 (2010: HK$379,302,000) (Note 23).

16. INTANGIBLE ASSETS

Group

	Total
	HK$'000
Cost	
At 1 April 2009, 31 March 2010 and 2011	**14,000**
Accumulated amortisation	
At 1 April 2009	5,153
Charge for the year	1,166
At 31 March 2010	6,319
Charge for the year	1,167
At 31 March 2011	**7,486**
Net carrying value	
At 31 March 2011	**6,514**
At 31 March 2010	7,681

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

17. PREPAID LEASE PAYMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 April	**11,245**	11,547
Release to profit or loss	**(302)**	(302)
At 31 March	**10,943**	11,245
Analysed for reporting purpose as		
— Current asset	**302**	302
— Non-current asset	**10,641**	10,943
	10,943	11,245

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

18. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries (a)	**245,285**	249,667
	245,286	249,668
Less: Provision for impairment loss	**(20,182)**	(34,362)
	225,104	215,306

18. INTERESTS IN SUBSIDIARIES (continued)

(a) 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.

(b) The amount due to a subsidiary is unsecured, non-interest bearing and has no fixed terms of repayment.

(c) Particulars of principal subsidiaries are set out in Note 32 to the consolidated financial statements.

19. CLUB DEBENTURES

	Group and Company	
	2011	2010
	HK$'000	HK$'000
Club membership — at cost	**1,350**	1,350

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

20. INVENTORIES

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

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**5,249**	6,544
Less: allowance for doubtful debts (Note (b))	**(19)**	(251)
	5,230	6,293
Other receivables	**80**	3,529
Deposits and prepayments	**915**	853
	6,225	10,675

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(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, net of allowance, at the end of the reporting period:

	2011 **HK$'000**	2010 HK$'000
Within 30 days	**4,786**	4,207
31 - 60 days	**156**	1,956
61 - 90 days	**261**	7
Over 90 days	**27**	123
	5,230	6,293

Before accepting any new customer, the Group assesses the potential customer's quality and defines credit limit by customer.

At 31 March 2011, trade receivables of HK$4,786,000 (2010: HK$4,207,000) are neither past due nor impaired. The Group considers the credit quality of the trade receivables within the credit limit set by the Group using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade debtors and did not identify any credit risk on these trade receivables. Included in the Group's trade receivables balance of HK$444,000 (2010: HK$2,086,000) at 31 March 2011 were past due at 31 March 2011 against which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) The movements in the allowance for doubtful debts during the year are as follows:

The below table reconciled the impairment loss of trade debtors for the year:

	Group	
	2011 **HK$'000**	2010 HK$'000
At beginning of year	**251**	19
Impairment loss recognised	**—**	232
Recovery of impairment loss previously recognised	**(232)**	—
At end of year	**19**	251

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$19,000 (2010: HK$232,000) which related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

22. LOANS RECEIVABLE

	Group	
	2011	2010
	HK$'000	HK$'000
Facilities (note)	**2,700**	2,700
Interest receivables	**163**	1
	2,863	2,701

At 31 March 2011, the effective interest rate ranged from 1.5% to 2% monthly.

Note:

All the loan facilities were lent to an individual third party with a monthly interest rate charged from 1.5% to 2%, and the loans were secured in favour to Winland Mortgage, a wholly owned subsidiary of the Company by immovable properties in Hong Kong.

23. BANK LOANS

(a) All bank loans are denominated in Hong Kong Dollars, carried at a variable interest rate with reference to HIBOR.

		Group	
	31/3/2011	**31/3/2010**	**1/4/2009**
	HK$'000	HK$'000	HK$'000
Secured			
Bank installment loans	**197,141**	213,802	229,953
Bank revolving loans	**158,000**	165,500	292,500
	355,141	379,302	522,453

(b) At 31 March 2011, the effective interest rate of the bank installment loans and revolving loans are 0.88% and 0.82% (2010: 1.32% and 1.31%) respectively.

(c) The 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 the directors of the Group and their related companies.

23. BANK LOANS (continued)

(d) The bank installment loans are repayable in monthly installments until May 2022 and the bank revolving loans are granted for a period of one to three months. Due to the adoption of HK Interpretation 5 in the current reporting period, the Group's installment loans of HK$197,141,000 (31/3/2010: HK$213,802,000 and 1/4/2009: HK$229,953,000) containing a repayment on demand clause have been reclassified as current liabilities in its entirety.

Base on the scheduled repayment date set out in the loan agreements, the amounts repayable in respect of the installment loans are as follows:

	Group		
	31/3/2011	**31/3/2010**	**1/4/2009**
	HK$'000	HK$'000	HK$'000
On demand or within one year	**175,028**	181,815	309,182
More than one year, but not exceeding two years	**17,171**	16,530	16,807
More than two year, but not exceeding five years	**52,385**	50,912	51,181
After five years	**110,557**	130,045	145,283
	180,113	197,487	213,271
	355,141	379,302	522,453

24. SHARE CAPITAL

	2011 and 2010	
	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.02 each	3,000,000,000	60,000
Issued and fully paid:		
Ordinary shares of HK$0.02 each	1,310,925,244	26,218

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) Share premium

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

(ii) Contributed surplus

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

(iii) Reserves of the Company

	Share premium	**Capital redemption reserve**	**Contributed surplus**	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	57,556	129	104,874	29,267	191,826
Loss and total comprehensive income for the year	—	—	—	(4,623)	(4,623)
At 31 March 2010	57,556	129	104,874	24,644	187,203
Profit and total comprehensive income for the year	—	—	—	9,478	9,478
At 31 March 2011	**57,556**	**129**	**104,874**	**34,122**	**196,681**

26. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liabilities method using a taxation rate of 16.5% (2010:16.5%). The movement in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during year is as follows:

Group

		Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2009		5,173	(3,753)	1,420
Charge to profit and loss		695	1,667	2,362
Over-provision in prior year		(10)	(179)	(189)
At 31 March 2010		5,858	(2,265)	3,593
Charge to profit and loss	(Note 10)	845	2,265	3,110
At 31 March 2011		6,703	—	6,703

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011 HK$'000	2010 HK$'000
Deferred tax assets	—	(2,265)
Deferred tax liabilities	**6,703**	5,858
	6,703	3,593

Deferred income tax assets are recognized 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:

	2011 HK$'000	2010 HK$'000
Unutilised tax losses	**68,303**	63,485

The tax losses as at 31 March 2011 may be carried forward indefinitely.

27. RELATED PARTY TRANSACTIONS

As at 31 March 2011, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which incorporated in the British Virgin Islands.

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

(a) As at 31 March 2011, the Group's bank loans of HK$355,141,000 (2010: HK$379,302,000) were secured by personal guarantees from Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin, directors of the Company, and corporate guarantees from Winland Finance Limited, Winland Enterprises Limited and Falcome Company Limited which are the related parties of the Company.

(b) Amount due to a minority shareholder is unsecured, interest free and repayable on demand.

(c) The remuneration of directors and other members of key management personnel during the year are disclosed in Note 14.

28. CONTINGENT LIABILITY

(a) On 16 January 2010, a borrower (the "Borrower") commenced a legal action against the Company, Winland Mortgage, a wholly owned subsidiary of the Company, and a director of the Company for breach of Settlement Deed.

The court opined that the deed of settlement did not bar Winland Mortgage's rights to seek redress against the Borrower on the HK$104 million loan facility ("Loan Facility"), therefore the claims by the Borrower in the legal action are unlikely to succeed. The Borrower filed a notice to appeal against the decision of Court on 13 February 2010 and subsequently to 24 May 2010, the Borrower was compulsorily wound up by the High Court and the liquidator of the Borrower had not made any indication to pursue the above actions.

No further progress is noted for the above litigation case up to the date of the approval of these consolidated financial statements.

(b) At the end of the reporting period, the Company had a financial guarantee contract issued to a bank in respect of banking facilities of an aggregate amount of HK$565,801,000 (2010: HK$580,584,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$355,141,000 (2010: HK$379,302,000) as at 31 March 2011. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The fair values of these financial guarantee contracts are not significant. The Company has not recognised any deferred income in respect of the guarantees as the fair values cannot be reliably measured and its transaction price was Nil.

29. CAPITAL 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 bank loans disclosed in Note 23, cash and cash equivalents and equity attributable to owners 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:

	2011	2010
	HK$'000	HK$'000
Debt	**355,141**	379,302
Equity	**233,533**	230,456
Debt to equity ratio	**152%**	165%

30. 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, currency risk and price 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.

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk

The Group's principal financial assets are cash and bank balances, trade and other receivables and loans receivable. The Group's maximum exposure to credit risk in relation to financial assets, before taking account of collateral held or other credit enhancement are their carrying amount.

The Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the statements of financial position 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 except for loans receivable, which are more fully explained in Note 22. It has policies in place to ensure that transactions are carried out only with customers with an appropriate credit history and the management continuously monitors the level of exposure to ensure follow-up action is taken.

(b) Liquidity risk

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

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

The Group relies on bank loans as a significant source of liquidity. As at 31 March 2011, the Group had total available unutilised short-term bank loan facilities of approximately HK$194,000,000 (2010: HK$186,500,000).

30. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the end of the reporting 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 end of the reporting period) and the earliest date the Group can be required to pay.

The Group	Carrying Amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	HK$'000	HK$'000
2011			
Other payables, deposits received and accrued charges	16,530	16,530	16,530
Amounts due to directors	384	384	384
Amount due to a minority shareholder	6,414	6,414	6,414
Dividend payable	1,515	1,515	1,515
Bank loans	356,579	365,939	365,939
	381,422	390,782	390,782
2010			
Other payables, deposits received and accrued charges	16,866	16,866	16,866
Amount due to a minority shareholder	6,414	6,414	6,414
Dividend payable	1,515	1,515	1,515
Bank loans	379,302	396,938	396,938
	404,097	421,733	421,733

30. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The Company	**Carrying Amount** HK$'000	**Total contractual undiscounted cash flow** HK$'000	**Within 1 year or on demand** HK$'000
2011			
Other payables and accrued charges	2,762	2,762	2,762
Dividend payable	1,515	1,515	1,515
Amount due to a subsidiary	897	897	897
	5,174	5,174	5,174
Finance guarantees issued — maximum amount grants	—	355,141	355,141
2010			
Other payables and accrued charges	2,524	2,524	2,524
Dividend payable	1,515	1,515	1,515
Amount due to a subsidiary	902	902	902
	4,941	4,941	4,941
Finance guarantees issued — maximum amount grants	—	379,302	379,302

30. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Included in interest-bearing bank borrowings are mortgaged term loan and export loans which the related agreements contain a repayment on-demand clause giving the bank unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the above clause, the directors consider that the loan will be repaid in accordance with the scheduled repayments dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group; the Group’s compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the loans, the contracted undiscounted payments as at 31 March 2011 are HK$178,050,000 in 2012, HK$18,613,000 during 2013, HK$55,839,000 during 2014 to 2016 and HK$113,437,000 in 2017 and beyond. The contractual undiscounted payments as at 31 March 2010 are HK$184,522,000 in 2011, HK$19,022,000 during 2012, HK$57,067,000 during 2013 to 2015 and HK$136,327,000 in 2016 and beyond.

(c) Fair value and cash flow interest rate risk

The Group’s primarily exposure to interest bearing assets mainly relates to loan receivables. The interests of loan receivables are fixed. The interest rates and terms of loan receivables are detailed in Note 22. Other than the loan receivables, the Group’s income and operating cash flows are substantially independent of changes in market interest rates.

The Group’s exposure to interest rate risks relates primarily to the Group’s borrowings with a floating interest rate. The interest rates and terms of repayment of the Group’s borrowings are disclosed in Note 23 to the consolidated financial statements. The Group’s policy is to obtain the most favorable interest rates available for its borrowings.

30. FINANCIAL RISK MANAGEMENT (continued)

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

Sensitivity analysis

At 31 March 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year by approximately HK$1,483,000 (2010: HK$2,392,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period 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 reporting date. The analysis is performed on the same basis for 2010.

(d) Currency risk

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

(e) Price risk

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

(f) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011 and 2010.

The fair value of interest-bearing loans 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.

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(a) The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2011 and 2010 may be categorised as follows:

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**21,500**	19,458
Financial liabilities		
Financial liabilities measured at amortised cost	**379,984**	404,097

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31 March 2011 are set out below:

Name of subsidiary	Place of Incorporation and operation	Particulars of capital	Percentage held by holding directly	Percentage held by holding indirectly	Principal activities
Shares held:					
City Promenade Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100%	Hotel operation
Perfect Plan Development Limited	Hong Kong	100 ordinary shares of HK$1 each	—	51%	Property holding
Winland Mortgage Limited	Hong Kong	1 ordinary share of HK$1 each	100%	—	Money lending
Goodnews Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1.00 each	100%	—	Investment holding
Winland Hotel Limited	Hong Kong	1 ordinary share of HK$1.00 each	100%	—	Act as agent for hotel room sales contracts

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 23 June 2011.

FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Year ended 31 March					
Turnover	**79,992**	66,081	75,768	80,390	239,268
Profit/(loss) attributable to equity holders of the Company	**3,231**	1,713	14,066	(11,619)	(92,304)
Total comprehensive income attributable to owners of the Company	**3,077**	1,559	13,905	(12,231)	(92,304)
Assets and liabilities					
As at 31 March					
Total assets	**620,220**	638,146	770,867	667,155	3,326,954
Total liabilities	**(386,687)**	(407,690)	(541,970)	(452,163)	(2,125,200)
Minority interests	**1,081**	927	773	612	—
Equity attributable to equity holders of the Company	**234,614**	231,383	229,670	215,604	1,201,754

PARTICULARS OF PRINCIPAL PROPERTY

HOTEL PROPERTY

Particulars of the Group's hotel property as at 31 March 2011 are as follows:

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

MEXAN LIMITED
茂盛控股有限公司