



MEXAN LIMITED

茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 22

INTERIM REPORT 2011/12



This interim 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 interim report posted on the Company Website will promptly upon request be sent the interim 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 interim 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 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.

Shareholders who have chosen to receive printed copy of the Corporate Communication in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Lun Chi Yim (*Chairman*)

Lun Yiu Kay Edwin
(*Managing Director*)

Suen Chui Fan

Ng Tze Ho Joseph

Independent Non-Executive Directors:

Tse Kwing Chuen

Ng Hung Sui Kenneth

Lam Yiu Pang Albert

COMPANY SECRETARY

Au Chung Shing

PRINCIPAL BANKERS

Dah Sing Bank, Limited

The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton

HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Mexan Harbour Hotel

Hotel 2, Rambler Crest

No. 1 Tsing Yi Road

Tsing Yi

New Territories

Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group

(Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

WEBSITE

www.mexanhk.com

STOCK CODE

22

The board of directors (the “Board”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated accounts of the Group for the six months ended 30 September 2011 together with the comparative figures for the corresponding previous period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Notes	Unaudited Six months ended 30 September 2011 HK\$'000	2010 HK\$'000
Turnover	2	41,708	38,002
Direct costs		(11,420)	(12,663)
Gross profit		30,288	25,339
Other revenues	2	312	283
Administrative expenses		(20,989)	(20,228)
Profit from operations		9,611	5,394
Finance costs	4	(1,676)	(1,711)
Profit before taxation		7,935	3,683
Taxation	5	(2,390)	(1,986)
Profit and total comprehensive income for the period	6	5,545	1,697
Attributable to:			
Equity holders of the Company		5,621	1,771
Non-controlling interests		(76)	(74)
		5,545	1,697
Dividend		—	—
Earnings per share (cents)	7		
Basic		0.429	0.135

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		570,667	579,264
Intangible assets		5,931	6,514
Prepaid lease payments		10,491	10,641
Club debentures		1,350	1,350
		588,439	597,769
Current assets			
Inventories		200	194
Prepaid lease payments		302	302
Trade and other receivables, deposits and prepayments	8	8,706	6,225
Loan receivable	9	3,174	2,863
Tax receivable		—	403
Cash and cash equivalents		19,418	12,464
		31,800	22,451
Current liabilities			
Other payables, deposits received and accrued charges		22,839	16,530
Amount due to directors		—	384
Amount due to a minority shareholder		6,414	6,414
Dividend payable		1,515	1,515
Bank loans	10	341,711	355,141
Tax payable		1,585	—
		374,064	379,984
Net current liabilities		(342,264)	(357,533)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 September 2011

	Notes	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Total assets less current liabilities		246,175	240,236
Non-current liabilities			
Deferred tax liabilities		7,097	6,703
		7,097	6,703
Net assets		239,078	233,533
EQUITY			
Share capital	11	26,218	26,218
Reserves		214,017	208,396
Equity attributable to equity holders of the Company		240,235	234,614
Non-controlling interests		(1,157)	(1,081)
Total equity		239,078	233,533

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2011 (Audited)	26,218	57,556	129	104,874	45,837	234,614	(1,081)	233,533
Profit/(loss) for the period	—	—	—	—	5,621	5,621	(76)	5,545
At 30 September 2011 (Unaudited)	26,218	57,556	129	104,874	51,458	240,235	(1,157)	239,078

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2010 (Audited)	26,218	57,556	129	104,874	42,606	231,383	(927)	230,456
Profit/(loss) for the period	—	—	—	—	1,771	1,771	(74)	1,697
At 30 September 2010 (Unaudited)	26,218	57,556	129	104,874	44,377	233,154	(1,001)	232,153

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2011

	Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Net cash inflow from operating activities	20,167	14,634
Net cash outflow from investing activities	(33)	(22)
Net cash outflow from financing activities	(13,180)	(12,953)
Increase in cash and cash equivalents	6,954	1,659
Cash and cash equivalents at beginning of period	12,464	6,202
Cash and cash equivalents at end of period	19,418	7,861
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	19,418	7,861

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK(IFRIC)”), which are effective for the current period’s unaudited condensed consolidated interim financial statements.

HKFRSs (Amendments)	Improvement to HKFRSs 2010
HK (IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets

The Group has not early applied the following new and revised standards, amendments or interpretations which have been issued but are not yet effective:

HKFRSs (Amendments)	Improvement 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

Effective date

- 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. TURNOVER

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

	Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Turnover		
Hotel operations and management services	41,708	38,002
Other revenues		
Loan interest income and arrangement fee income less costs for recovery	311	282
Bank interest income	1	1
	312	283
Total revenues	42,020	38,285

3. SEGMENT INFORMATION

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.

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the six months ended 30 September 2011 (unaudited)

	Hotel operation business HK\$'000	Money lending business HK\$'000	Consolidated HK\$'000
REVENUE	41,708	311	42,019
RESULT			
Segment profit	9,415	236	9,651
Unallocated operating income			1
Unallocated expenses			(1,717)
Profit before tax			7,935

For the six months ended 30 September 2010 (unaudited)

	Hotel operation business HK\$'000	Money lending business HK\$'000	Consolidated HK\$'000
REVENUE	38,002	282	38,284
RESULT			
Segment profit (loss)	6,832	(507)	6,325
Unallocated operating income			1
Unallocated expenses			(2,643)
Profit before tax			3,683

4. FINANCE COSTS

Finance costs comprise the following:

	Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Interest on bank loans not wholly payable within five years	823	500
Interest on bank loans wholly payable within five years	822	1,196
Total borrowing costs incurred	1,645	1,696
Bank charges	31	15
	1,676	1,711

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. Overseas taxation is provided for the overseas operations in accordance with the tax laws of the countries in which the entities operate.

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

	Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Current year tax charge	1,996	—
Deferred tax charge	394	1,986
	2,390	1,986

6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

Profit for the period is stated after charging the following:

	Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Staff costs	10,854	9,563
Depreciation of property, plant and equipment	8,630	8,647
Amortisation of intangible assets	583	583
Release of prepaid lease payments to profit or loss	151	151

7. BASIC EARNINGS PER SHARE

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

	Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Earnings		
Earnings attributable to equity holders of the Company for the purpose of the calculation of basic earnings per share	5,621	1,771
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation 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 potential dilutive ordinary shares at 30 September 2011 and 30 September 2010.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Trade receivables (note (a))	8,136	5,249
Less: allowance for doubtful debts (note (b))	(19)	(19)
	8,117	5,230
Other receivables	—	80
Deposits and prepayments	589	915
	8,706	6,225

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

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Within 30 days	7,428	4,786
31 — 60 days	242	156
61 — 90 days	405	261
Over 90 days	42	27
	8,117	5,230

- (b) No additional impairment to trade receivables was made during the period. Except for HK\$19,000, the remaining balance were neither past due nor impaired, which relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

9. LOANS RECEIVABLE

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Facilities	2,700	2,700
Interest receivables less costs for recovery	474	163
	3,174	2,863

At 30 September 2011, the effective interest rate ranged from 1.5% to 2% per month.

10. BANK LOANS

All bank loans are denominated in Hong Kong Dollars, carried at a variable interest rate with reference to Hong Kong Inter-Bank Offer Rate.

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Bank installment loans	188,711	197,141
Bank revolving loan	153,000	158,000
	341,711	355,141

At 30 September 2011, the effective interest rate of the bank installment loans and revolving loans are 1.91% and 0.86% (at 31 March 2011: 0.88% and 0.82%) respectively.

As at 30 September 2011, bank loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company and guarantees from directors of the Group and their related companies.

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. The bank installment loans contain a repayment on demand clause and have been classified as current liabilities in its entirety accordingly.

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

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Within one year	16,972	17,028
After one year but within two years	17,118	17,171
After two year but within five years	52,236	52,385
After five years	102,385	110,557
	188,711	197,141

11. SHARE CAPITAL

	Ordinary shares of HK\$0.02 each	
	Number of shares	HK\$'000
Authorised:		
At 1 April 2011 and 30 September 2011	3,000,000,000	60,000
Issued and fully paid:		
At 1 April 2011 and 30 September 2011	1,310,925,244	26,218

12. RELATED PARTY TRANSACTIONS

As at 30 September 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 30 September 2011, the Group's bank loans of HK\$341,711,000 (31 March 2011: HK\$355,141,000) 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) Amounts due to a minority shareholder is unsecured, interest free and repayable on demand.



INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group mainly focuses on the operation of Mexan Harbour Hotel, a 800-room four-star hotel in Tsing Yi. For the six months ended 30 September 2011, the Group recorded a turnover of approximately HK\$42 million (2010: HK\$38 million) generated from hotel operations. Resulted from the rising number of in bound tours and visitors, increased average room rate and improved hotel room occupancy rate had led to the increase in turnover.

The profit before tax for the period was approximately HK\$7.9 million (2010: HK\$3.7 million), representing an increase 115% as compared with the corresponding period in last year. Despite there had been growth in the results from hotel operation, the loan interest income generated from the non-recurring money lending business has remained stable. The interest earned from a loan to a third party during the period was approximately HK\$0.3 million (2010: HK\$0.3 million).

Although the group generated profit in current period, however, the group recorded a loss from the hotel operation from previous years, therefore the group still need to put effort in order to maximize the shareholders' wealth.

Looking forward, the hotel market in Hong Kong will continue to benefit from the improved number of visitors of Hong Kong and the gradual recovery of the long-haul markets. The management will closely monitor any future fluctuations and uncertainties of the market, continues optimizing its earnings, implementing strict cost controls and keep on improving their quality of services to customers. The Directors remain fully confident of the development of its businesses in the medium to long term prospects of the Group.



LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2011, the Group's total borrowings amounted to approximately HK\$342 million (31 March 2011: HK\$355 million). As at 30 September 2011, cash and bank balances amounted to approximately HK\$19 million (31 March 2011: HK\$12 million). The Group's net assets as at 30 September 2011 amounted to approximately HK\$239 million (31 March 2011: HK\$ 234 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 143% as at 30 September 2011 compared to approximately 152% as at 31 March 2011.

Of the Group's total borrowings as at 30 September 2011, approximately HK\$170 million (50%) would be due on demand or within one year, approximately HK\$17 million (5%) would be due in more than one year but not exceeding two years, approximately HK\$52 million (15%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$102 million (30%) would be due in more than five years.

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

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

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2011, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.



EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 September 2011, the total number of employees of the Group was approximately 127 (31 March 2011: 129). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") has been adopted on 27 September 2004 for a term of 10 years from the date of adoption. No option has been granted under the Scheme during the period from the date of its adoption up to 30 September 2011.

A summary of the principal terms of the Scheme has been set out in the 2011 annual report of the Company. The terms of the Scheme have never been amended since its adoption.

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

As at 30 September 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 Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(1) LONG POSITIONS IN SHARES OF THE COMPANY

Name of Director	No. of shares of HK\$0.02 each held	Capacity/ nature of interest	Approximate shareholding percentage as at 30 September 2011 (%)
Lun Chi Yim	711,108,037	Interest of controlled corporation/ Corporate interest	54.24
Suen Chui Fan	711,108,037	Interest of spouse/ Family 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. Ms. Suen Chui Fan is the spouse of Mr. Lun Chi Yim. Accordingly, Winland Stock (BVI) Limited, Mr. Lun Chi Yim and Ms. Suen Chui Fan are deemed to be interested in the said 711,108,037 shares under the SFO.

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

(2) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATION

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity/ nature of interest	Shareholding percentage as at 30 September 2011 (%)
Winland Stock (BVI) Limited	Lun Chi Yim	1	Beneficial owner/ Personal interest	100
	Suen Chui Fan	1	Interest of spouse/ Family interest	100
Winland Wealth (BVI) Limited	Lun Chi Yim	1	Interest of controlled corporation/ Corporate interest	100
	Suen Chui Fan	1	Interest of spouse/ Family interest	100

Note:

Ms. Suen Chui Fan, the spouse of Mr. Lun Chi Yim, is deemed to be interested in Mr. Lun's interests in the above associated corporations under SFO.

Save as disclosed above, as at 30 September 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 six months ended 30 September 2011 was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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\$0.02 each held	Capacity/ nature of interest	Approximate shareholding percentage as at 30 September 2011 (%)
Winland Wealth (BVI) Limited (Note i)	Long	711,108,037	Beneficial owner/ Beneficial interest	54.24
Winland Stock (BVI) Limited (Note ii)	Long	711,108,037	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. Ms. Suen Chui Fan, the spouse of Mr. Lun Chi Yim, is deemed to be interested in Mr. Lun's shares which represented the same parcel of shares of the Company as held by Winland Wealth (BVI) Limited.
- ii. 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.

Save as disclosed above, as at 30 September 2011, none of the substantial shareholder or other persons, other than the Directors or chief executive of the Company, had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.



CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2011 except for the following deviation:

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

CHANGE IN DIRECTORS’ BIOGRAPHICAL DETAILS

During the period under review, there is no change in biographical details of Directors since the date of the 2011 Annual Report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2011 and discussed with the management the accounting principles and practices and internal control of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises three members, a majority of whom are independent non-executive directors. The role and function of the Remuneration Committee is to review, discuss and approve the remuneration mechanism of the directors and senior management of the Company and to establish and maintain a reasonable and competitive remuneration level in order to attract and retain the directors and senior management.



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in 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 transactions during the six months ended 30 September 2011.

APPRECIATION

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

By Order of the Board

MEXAN LIMITED

Lun Chi Yim

Chairman

Hong Kong, 25 November 2011