



MEXAN LIMITED

茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code:22



2012/2013 INTERIM REPORT



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
26 Burnaby Street
Hamilton HM 11
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 2012. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated accounts of the Group for the six months ended 30 September 2012 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 2012

	Notes	Unaudited Six months ended 30 September	
		2012 HK\$'000	2011 HK\$'000
Turnover	2	69,465	41,708
Direct costs		<u>(13,102)</u>	<u>(11,420)</u>
Gross profit		56,363	30,288
Other revenues	2	3	312
Administrative expenses		<u>(19,478)</u>	<u>(20,989)</u>
Profit from operations		36,888	9,611
Finance costs	4	<u>(2,010)</u>	<u>(1,676)</u>
Profit before taxation		34,878	7,935
Taxation	5	<u>(8,344)</u>	<u>(2,390)</u>
Profit and total comprehensive income for the period	6	<u><u>26,534</u></u>	<u><u>5,545</u></u>
Attributable to:			
Equity holders of the Company		26,608	5,621
Non-controlling interests		<u>(74)</u>	<u>(76)</u>
		<u><u>26,534</u></u>	<u><u>5,545</u></u>
Dividend		<u><u>-</u></u>	<u><u>-</u></u>
Earnings per share (cents)			
Basic	7	<u><u>2.030</u></u>	<u><u>0.429</u></u>
Diluted	7	<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		553,895	562,107
Intangible assets		4,764	5,347
Investment property		10,491	10,641
Club debentures		<u>1,350</u>	<u>1,350</u>
		<u>570,500</u>	<u>579,445</u>
Current assets			
Inventories		247	276
Trade and other receivables, deposits and prepayments	8	6,624	4,906
Cash and cash equivalents		<u>19,834</u>	<u>32,616</u>
		<u>26,705</u>	<u>37,798</u>
Current liabilities			
Other payables, deposits received and accrued charges		22,057	24,023
Amount due to directors		-	87
Amount due to a non-controlling shareholder of subsidiary		6,414	6,414
Dividend payable		422	422
Bank loans	9	273,809	323,273
Tax payable		<u>8,725</u>	<u>5,670</u>
		<u>311,427</u>	<u>359,889</u>
Net current liabilities		<u>(284,722)</u>	<u>(322,091)</u>
Total assets less current liabilities		<u>285,778</u>	<u>257,354</u>
Non-current liabilities			
Deferred tax liabilities		<u>7,901</u>	<u>6,011</u>
		<u>7,901</u>	<u>6,011</u>
Net assets		<u>277,877</u>	<u>251,343</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 30 September 2012

	Notes	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
EQUITY			
Share capital	10	26,218	26,218
Reserves		<u>252,970</u>	<u>226,362</u>
Equity attributable to equity holders of the Company		279,188	252,580
Minority interests		<u>(1,311)</u>	<u>(1,237)</u>
Total equity		<u><u>277,877</u></u>	<u><u>251,343</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

Unaudited

	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 2012 (Audited)	26,218	57,556	129	104,874	31,173	252,580	(1,237)	251,343
Profit/(loss) for the period	-	-	-	-	26,608	26,608	(74)	26,534
At 30 September 2012 (unaudited)	26,218	57,556	129	104,874	57,781	279,188	(1,311)	277,877

Unaudited

	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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2012

	Unaudited	
	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Net cash inflow from operating activities	38,256	20,167
Net cash inflow/(outflow) from investing activities	424	(33)
Net cash outflow from financing activities	<u>(51,462)</u>	<u>(13,180)</u>
(Decrease)/increase in cash and cash equivalents	(12,782)	6,954
Cash and cash equivalents at beginning of period	<u>32,616</u>	<u>12,464</u>
Cash and cash equivalents at end of period	<u><u>19,834</u></u>	<u><u>19,418</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u><u>19,834</u></u>	<u><u>19,418</u></u>

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 2012, 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
HKAS 24 (Revised)	Related Party Disclosures

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

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statement ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities ³

Effective date

- ¹ Annual periods beginning on or after 1 July 2012
- ² Annual periods beginning on or after 1 January 2013
- ³ Annual periods beginning on or after 1 January 2014
- ⁴ Annual periods beginning on or after 1 January 2015

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	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
Hotel operations and management services	69,465	41,708
Other revenues		
Loan interest income and arrangement fee income	-	311
Bank interest income	<u>3</u>	<u>1</u>
	<u>3</u>	<u>312</u>
Total revenues	<u>69,468</u>	<u>42,020</u>

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker ("CODM") that are used to make strategic decisions. In 2010, the Group had two reportable segments which were Hotel operation business and money lending business. The segments were managed separately as each business offered different products and services and required different business strategies. Since the prior period, money lending business segment had become inactive or insignificant to the Group. The CODM considered that the Group has only one single reportable segment during the current and prior year.

4. FINANCE COSTS

Finance costs comprise the following:

	Unaudited	
	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Interest on bank loans not wholly payable within five years	836	823
Interest on bank loans wholly payable within five years	<u>1,170</u>	<u>822</u>
Total borrowing costs incurred	2,006	1,645
Bank charges	<u>4</u>	<u>31</u>
	<u><u>2,010</u></u>	<u><u>1,676</u></u>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	HK\$'000	HK\$'000
Current year tax charge	6,455	1,996
Deferred tax charge	<u>1,889</u>	<u>394</u>
	<u><u>8,344</u></u>	<u><u>2,390</u></u>

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	
	2012	2011
	HK\$'000	HK\$'000
Staff costs	10,231	10,854
Depreciation of property, plant and equipment	8,636	8,630
Amortisation of intangible assets	583	583
Depreciation of investment property	<u>151</u>	<u>151</u>

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	
	2012	2011
	HK\$'000	HK\$'000
Earnings		
Earnings attributable to equity holders of the Company for the purpose of the calculation of basic earnings per share	<u>26,608</u>	<u>5,621</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	<u>1,310,925,244</u>	<u>1,310,925,244</u>

No diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 30 September 2012 and 30 September 2011.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	30 September	31 March
	2012	2012
	HK\$'000	HK\$'000
Trade receivables	6,065	4,041
Less: allowance for doubtful debts (note (b))	(19)	(19)
	6,046	4,022
Other receivables	-	-
Deposits and prepayments	578	884
	6,624	4,906

- (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:

	Unaudited	Audited
	30 September	31 March
	2012	2012
	HK\$'000	HK\$'000
Within 30 days	5,598	3,724
31 – 60 days	3	2
61 – 90 days	14	9
Over 90 days	431	287
	6,046	4,022

- (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. BANK LOANS

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Secured		
Bank installment loans	171,809	180,273
Bank revolving loans	102,000	143,000
	<hr/>	<hr/>
Bank Loans	<u>273,809</u>	<u>323,273</u>

- (a) All bank loans are denominated in Hong Kong Dollars, carried at a variable interest rate with reference to HIBOR. At 30 September 2012, the effective interest rate of the bank installment loans and revolving loans are 0.95% and 2.01% (2011: 1.91% and 0.86%) respectively.
- (b) 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.
- (c) 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\$171,809,000 (31 March 2012: HK\$180,273,000) containing a repayment on demand clause has been classified as a current liability in its entirety.

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

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
On demand or within one year	119,052	160,076
More than one year, but not exceeding two years	17,215	17,216
More than two years, but not exceeding five years	52,634	52,469
After five years	84,908	93,482
	<hr/>	<hr/>
Bank Loans	<u>273,809</u>	<u>323,273</u>

10. SHARE CAPITAL

	Ordinary shares of HK\$0.02 each	
	Number of shares	HK\$'000
Authorised:		
At 1 April 2012 and 30 September 2012	<u>3,000,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 April 2012 and 30 September 2012	<u>1,310,925,244</u>	<u>26,218</u>

11. RELATED PARTY TRANSACTIONS

As at 30 September 2012, 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 2012, the Group's bank loans of HK\$273,809,000 (31 March 2012: HK\$323,273,000) 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 non controlling shareholder of a subsidiary 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 2012 (2011: 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 2012, the Group recorded a turnover of approximately HK\$69 million (2011: HK\$42 million) generated from hotel operations. Resulted from 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 HK\$35 million (2011: HK\$8 million), representing a increase of 341% as compared with the corresponding period in last year.

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.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2012, the Group's total borrowings amounted to approximately HK\$274 million (31 March 2012: HK\$323 million). As at 30 September 2012, cash and bank balances amounted to approximately HK\$20 million (31 March 2012: HK\$32 million). The Group's net assets as at 30 September 2012 amounted to HK\$278 million (31 March 2012: HK\$251 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 99% as at 30 September 2012 compared to approximately 129% as at 31 March 2012.

Of the Group's total borrowings as at 30 September 2012, approximately HK\$119 million (44%) would be due within one year, approximately HK\$17 million (6%) would be due in more than one year but not exceeding two years, approximately HK\$53 million (19%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$85 million (31%) 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 2012, 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 2012, the total number of employees of the Group was approximately 112 (31 March 2012: 116). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

During the six months ended 30 September 2012, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") has been adopted on 27 September 2004 for a term of 10 years from the date of adoption. No option has been granted under the Scheme during the period from the date of its adoption up to 30 September 2012.

A summary of the principal terms of the Scheme has been set out in the 2012 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 2012, 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 2012 (%)
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.

(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 2012 (%)
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.

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

Save as disclosed above, as at 30 September 2012, 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 2012 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 2012, 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 2012 (%)
Winland Wealth (BVI) Limited (Note i)	Long	711,108,037	Beneficial owner/ Personal 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 2012, 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 2012 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 2012 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 2012 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 four 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 2012.

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, 27 November 2012