



**MEXAN LIMITED**

**茂盛控股有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code : 22



# **ANNUAL REPORT 2013**

*This annual report, in both English and Chinese versions, is available on the Company's website at [www.mexanhk.com](http://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](mailto: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*)

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

## AUDITOR

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM11

Bermuda

Hamilton

HM 11 Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Mexan Harbour Hotel

Hotel 2, Rambler Crest

No. 1 Tsing Yi Road

Tsing Yi

New Territories

Hong Kong

## PRINCIPAL REGISTRARS

Butterfield Fulcrum Group (Bermuda)  
Limited

26 Burnaby Street

Hamilton

HM 11

Bermuda

## BRANCH REGISTRARS IN HONG KONG

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

## WEBSITE

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

## STOCK CODE

22

# CHAIRMAN'S STATEMENT

I present the results and operations of MEXAN LIMITED (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2013.

## RESULTS

The Board of Directors actively participate in sales and daily operation in the hotel, change the past sales and operation style of the hotel, resulting in increase in room rates and occupancy rates, steady growth of the world's economy and increase in number of visitors resulting in better operating performance when comparing with last year.

### Turnover generated from hotel operations for recent years

	Year ended 31/3/2013 HK\$'000	Year ended 31/3/2012 HK\$'000	Year ended 31/3/2011 HK\$'000	Year ended 31/3/2010 HK\$'000
Hotel room sales	143,660	91,528	74,028	60,698
Food and beverage income	5,376	5,058	5,289	4,822
Miscellaneous sales	398	378	675	561
Turnover	149,434	96,964	79,992	66,081

## PROSPECTS

Looking forward, given the uncertainties in global financial markets, the Group operates only one single hotel and it located in Tsing Yi Island which is more isolated and the hotel income is unstable. Moreover, there will be more new hotels established in the coming year, therefore the Management is cautious about challenges it faces, and will continue its efforts to sustain asset enhancement programs to improve the guest satisfactory and enhance the competitiveness of hotel operation. We remain cautious about the future of the Group.

# CHAIRMAN'S STATEMENT

## 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 and trust. I would also like to thank the management and staff for their dedication and commitment.

Lun Chi Yim

Chairman

Hong Kong, 28 June 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATION

### Hotel business

The Group operates the Mexan Harbour Hotel, a 800-room hotel in Tsing Yi, maintained and average occupancy rate of approximately 99% for the year under review, compared to an average occupancy rate of approximately 98% for last year. Benefited from the continued economic growth of mainland China, visitor arrivals during the year hit a record and visitor spending during the year helped the development of industry sectors including hotel and food and beverage consumption. During the year, the Group's core businesses recorded satisfactory performance and overall results grew year-on-year.

## LIQUIDITY AND FINANCIAL INFORMATION

During the year under review, cashflow of the Group was mainly generated from the hotel operations. As at 31 March 2013, the Group's total borrowings amounted to approximately HK\$233 million compared with approximately HK\$323 million as at 31 March 2012. The decrease of the Group's total borrowings was due to the repayment of significant amount of loan.

As at 31 March 2013, cash and bank balances amounted to approximately HK\$23 million compared with cash and bank balances of approximately HK\$33 million last year. The Group's net assets as at 31 March 2013 amounted to approximately HK\$295 million compared with approximately HK\$251 million last year.

Gearing ratio of the Group which expressed as a percentage of total borrowings to total equity was approximately 79% as at 31 March 2013 compared to approximately 129% as at 31 March 2012. Net gearing ration of the Group which is expressed as a percentage of net borrowings (total borrowings less cash and bank balance) to total equity was approximately 71% compared with approximately 116% last year.

Of the Group's total borrowings as at 31 March 2013, approximately HK\$87 million would be due within one year and approximately HK\$146 million would be due repayment after one year which contain a repayable on demand clause. The total borrowings were denominated in HKD and bear a variable interest rate.

# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **LIQUIDITY AND FINANCIAL INFORMATION - CONTINUED**

The above borrowings 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.

## **EQUITY**

Total equity of the Group as at 31 March 2013 was approximately HK\$295 million compared with approximately HK\$251 million last year. Total equity attributable to owners of the Company as at 31 March 2013 was approximately HK\$296 million compared with approximately HK\$253 million last year. The increase was resulted from the profit generated for the year under review.



# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **EMPLOYEE INFORMATION AND EMOLUMENT POLICY**

As at 31 March 2013, the total number of employees of Group was 118 (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 comparable market statistics. No director of the Company, 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”) and a director of the Company for breach of the Settlement Deed.

The court opined that the Settlement Deed did not bar Winland Mortgage’s rights to seek redress against the Borrower on the 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. Up to the date of this announcement, the liquidators of the Borrower had not made any indication to pursue the above actions.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITY - CONTINUED

- (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\$515,293,000 (2012: HK\$532,273,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK\$233,293,000 (2012: HK\$323,272,000) as at 31 March 2013. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The Company had not recognised any provision in the financial statements as at 31 March 2013 as the directors considered that the probability for the holder of the guarantees to call upon the Company as a result of default in repayment is remote.

# **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 under review, 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 2013 and up to the date of this report were:

### **Executive Directors**

Lun Chi Yim (Chairman)

Lun Yiu Kay Edwin (Managing Director)

Suen Chui Fan

Ng Tze Ho Joseph

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS - CONTINUED

### Independent Non-Executive Directors

Tse Kwing Chuen

Ng Hung Sui Kenneth

Lam Yiu Pang Albert

As at the date of this report, the Board comprised seven Directors, four of whom are Executive Directors (including the Chairman of the Board and the Managing Director) and three of whom are Independent Non-Executive Directors. Details of backgrounds and qualifications of each Director are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report. The Company has arranged appropriate insurance cover in respect of legal actions against the Directors.

The Board is responsible for the leadership and control of the Company and collectively responsible for promoting the success of the Company and supervising the Company’s affairs. It also monitors overall strategic development of the Group, financial performance and the internal controls of the Group’s business operations. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The day-to-day running of the Company is delegated to the management with department heads responsible for different aspects of the business/functions.

Independent Non-Executive Directors serve the relevant function of bringing independent judgement on issues of strategy, policy, development, performance and risk management of the Group through their contributions in Board meetings. The Board considers that each Independent Non-Executive Director of the Company is independent in character and judgement. The Company has received from each Independent Non-Executive Director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS - CONTINUED

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 Secretary and are open for inspection at any reasonable time on reasonable notice by any Director. To the best knowledge of the Directors, save as Mr. Lun Chi Yim, the Chairman of the Board, is the father of Mr. Lun Yiu Kay Edwin, Managing Director; Ms. Suen Chui Fan, is the spouse of Mr. Lun Chi Yim and the mother of Mr. Lun Yiu Kay Edwin, there is no financial, business and family relationship among the members of the Board.

For the year ended 31 March 2013, other than resolutions passed by means of resolutions in writing of Directors, the Board held five meetings. The following table shows the attendance records of individual Director at the meetings of the Board held for the year ended 31 March 2013:-

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS - CONTINUED

### Directors' Attendance

	Number of Board Meetings held during the Director's term of office during the year ended 31 March 2013	Number of meeting(s) attended
<b>Executive Directors</b>		
Mr. Lun Chi Yim (Chairman)	5	5
Mr. Lun Yiu Kay Edwin (Managing Director)	5	5
Ms. Suen Chui Fan	5	5
Mr. Ng Tze Ho Joseph	5	5
<b>Independent Non-Executive Directors</b>		
Dr. Tse Kwing Chuen	5	5
Mr. Ng Hung Sui Kenneth	5	5
Mr. Lam Yiu Pang Albert	5	4

## 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".

# CORPORATE GOVERNANCE REPORT

## 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 three 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	Number of meeting(s) attended
	31 March 2013	
Mr. Lun Chi Yim ( <i>Chairman</i> )	2	2
Mr. Lun Yiu Kay Edwin	2	2
Mr. Ng Tze Ho Joseph	2	2



# CORPORATE GOVERNANCE REPORT

## 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 four members, including the Managing Director, Mr. Lun Yiu Kay Edwin and three Independent Non-Executive Directors, Mr. Ng Hung Sui Kenneth, Dr. Tse Kwing Chuen and Mr. Lam Yiu Pang Albert. In compliance with the requirement of appointing an independent non-executive director as the chairman of the remuneration committee under Rule 3.25 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which will come into effect on 1 April 2012, Mr. Lam Yiu Pang Albert, an independent non-executive director of the Company, has been appointed as chairman of remuneration committee of the Company in place of Mr. Lun Yiu Kay Edwin with effect from 1 April 2012. Mr. Lun Yiu Kay Edwin shall remain as a member of the remuneration committee.

The major roles and functions of the Remuneration Committee are:

- (a) to make recommendations to the Board on the Company’s policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Company and its subsidiaries and the desirability of performance-based remuneration. The Remuneration Committee shall also ensure that the levels of remuneration should be sufficient to attract and retain the directors needed to run the Company successfully but should avoid paying more than is necessary for this purpose;

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE - CONTINUED

- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (e) to ensure that no director or any of his associates is involved in deciding his own remuneration; and
- (f) to advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval in accordance with the Listing Rules.

During the year, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of Members	Number of Remuneration Committee meeting held during the member's term of office during year ended 31 March 2013	Number of meetings attended
Mr. Lam Yiu Pang Albert (Chairman)	2	2
Mr. Lun Yiu Kay Edwin	2	2
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE - CONTINUED

During the meeting, the Remuneration Committee discussed and determined the Director's fee for individual Director. The emoluments of the Directors are based on their respective responsibilities and their involvement in the Group's affairs and are determined by reference to the Group's business condition and the prevailing market practice. A Director is not allowed to approve his/her remuneration.

To comply with the code provision B.1.4 of the CG Code, the terms of reference of the Remuneration Committee are included on the Company's website and also available on request.

## AUDIT COMMITTEE

The Audit Committee was established in March 1999 with specific written terms of reference and comprised of three members, all of them are Independent Non-Executive Directors. 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 who is a qualified accountant with appropriate professional qualification and experience in financial matters. 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 major roles and functions of the Audit Committee are:

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE - CONTINUED

(c) to develop and implement policies regarding the engagement of an external auditor to supply non-audit services. For this purpose, an external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(d) to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee should focus particularly on:

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments resulting from the audit;
- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards; and
- (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(e) in relation to paragraph (d) above: (i) members of the committee must liaise with the Company's board of directors and senior management and the committee must meet, at least once a year, with the Company's auditors; and (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, internal control and risk management systems;

(g) to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE - CONTINUED

- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the Group's financial and accounting policies and practices;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules);
- (n) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relationship with the external auditor;
- (p) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and
- (q) to consider such other matters as the Board may from time to time determine.

During the year, two 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:

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE - CONTINUED

Name of Members	Number of Audit Committee meetings held during the member's term of office during the year ended 31 March 2013	Number of meetings attended
Mr. Lam Yiu Pang Albert (Chairman)	2	2
Mr. Ng Hung Sui Kenneth	2	1
Dr. Tse Kwing Chuen	2	2

Summary of work done for the year ended 31 March 2013:-

- review of final results and draft audited financial statements for the year ended 31 March 2013;
- ρεπλεω οφιντερεμ ρεσλτασ ανδ δροφ υναδιτεδ φινανχιολσπαμ εντοφορ της αξ μ οντης ended 30 September 2012; and
- consider and approve of the re-appointment of auditors.

The Audit Committee has also reviewed with management the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2013.

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.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Nomination Committee was established in April 2012 with specific written terms of reference and comprised of three members. The Nomination Committee comprises of three members, including Mr. Lun Chi Yim, Dr. Tse Kwing Chuen and Mr. Lam Yiu Pang Albert. The chairman of the Nomination Committee is Mr. Lun Chi Yim.

The major roles and functions of the Nomination Committee are:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- (b) to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
- (c) to identify individuals who are qualified/suitable to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (d) to assess the independence of independent non-executive directors and determine their eligibility;
- (e) to make recommendations to the Board on matters relating to the appointment or reappointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer; and
- (f) to review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval.



# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE - CONTINUED

During the year, one Nomination Committee meeting was held and the individual attendance of each member is set out below:

Name of Members	Number of Nomination Committee meetings held during the member's term of office during the year ended 31 March 2013	Number of meetings attended
Mr. Lun Chi Yim (Chairman)	1	1
Mr. Lam Yiu Pang Albert	1	1
Dr. Tse Kwing Chuen	1	1

## 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. 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.

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.

# **CORPORATE GOVERNANCE REPORT**

## **AUDITORS' REMUNERATION**

BDO Limited is the auditor of the Company. During the year ended 31 March 2013, the fees charged to the financial statements of the Company and its subsidiaries for statutory audit amounted to HK\$485,000.

## **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 2013, the Directors ensured that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for the timely publication of the financial statements of the Group.

The statement of the auditor of the Company, 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.

# **CORPORATE GOVERNANCE REPORT**

## **CORPORATE COMMUNICATION**

The Company had established a shareholders' communication policy and shall review it on a periodic basis to ensure its effectiveness.

The Company communicates with the Shareholders mainly in the following ways: (i) the holding of annual general meeting and extraordinary general meetings, if any, which may be convened for specific purposes and provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports, circulars on the websites of the Company and the Stock Exchanges of Hong Kong; and (iii) the availability of latest information of the Group on the website of the Company.

Separate resolutions are proposed at the general meetings for such substantial issues, including the re-election of retiring Directors.

The Company's notices to Shareholders for the annual general meeting ("AGM") held in 2012 were sent to Shareholders at least 20 clear business days or 21 clear days before the meetings, whichever is the longest.

The chairman of the Board, Audit Committee, Nomination Committee and Remuneration Committee and the representative of external auditor were available at the AGM held on 17th September, 2012 to answer questions from the Shareholders. The chairman of the AGM had explained the procedures for conducting a poll during the meeting. All resolutions proposed at the AGM were voted separately by way of poll. All the votes cast at the said meeting were properly counted and recorded.

## **CONSTITUTIONAL DOCUMENTS**

There was no significant change in the memorandum and articles of association of the Company during the year.

The memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange of Hong Kong.

# **CORPORATE GOVERNANCE REPORT**

## **INTERNAL CONTROLS**

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

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 financial statements for the year ended 31 March 2013.

## **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 2013 are set out in note 31 to the financial statements.

An analysis of turnover and results from operations of the Company and its subsidiaries (the "Group") for the year by principal activities is set out in note 7 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 42.

The state of affairs of the Group and the Company as at 31 March 2013 are set out in the statement of financial position on pages 43 to 45.

The cash flows of the Group are set out in the consolidated statement of cash flows on page 47.

As at 31 March 2013, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$47,729,000 (2012: \$31,173,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2013 (2012: Nil).

## **SHARE CAPITAL**

Details of the share capital of the Company during the year are set out in note 23 to the financial statements.

# **DIRECTORS' REPORT**

## **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 46 and in note 24 to the financial statements respectively.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 94.

## **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 financial statements.

## **PRINCIPAL PROPERTY**

Particulars of the Group's hotel property are set out on page 95.

## **BANK LOANS**

Particulars of the Group's bank loans are set out in note 22 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

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

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for 13% and 45% respectively of the turnover of the Group for the year.

None of the Directors, their associates or any shareholders (who, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any beneficial interest in the major customers noted above.

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% in the year under review.

## DIRECTORS

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

### *Executive Directors:*

Lun Chi Yim (*Chairman*)  
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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ng Hung Sui Kenneth shall retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.



# DIRECTORS' REPORT

## DIRECTORS - CONTINUED

Pursuant to code provision A.4.2 of Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Mr. Lun Chi Yim, Mr. Lun Yiu Kay Edwin and Mr. Lam Yiu Pang Albert have been appointed as Directors on 19 April 2007 and were re-elected at 2007 and 2010 annual general meeting and they have held office as the Directors for three years since his last re-election. Accordingly, Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin, although not subject to retirement by rotation by virtue of their office as being Chairman and Managing Director under the Bye-Laws of the Company, together with Mr. Lam Yiu Pang Albert will voluntary retire for compliance with the requirement set out in code provision A.4.2 and offer themselves for re-election at the forthcoming annual general meeting.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group, which is not determinable by the Group within one year without payment of compensation, other than statutory compensations.

The Company has received from each of the Independent Non-Executive Directors their annual confirmations of independence and considers that each of the Independent Non-Executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

# DIRECTORS' REPORT

## 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 79, 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 obtained a Doctor of Humanities from Tarlac State University of Philippines in 2013. He is the Permanent Honorary President and Honorary Chairman of the Hong Kong Real Estate Agencies General Association Limited, an honorary citizen in the city of Lo Din in Guangdong Province of the PRC and the Permanent Honorary President, Deputy Chairman and Chairman of the Past Presidents Council of China Universities Alumni (H.K.) Association, Permanent Honorary President and Executive Director of Federation of Hong Kong Guangdong Community Organisations and the Executive Member of Federation of Hong Kong Guangdong Community Organisations Charitable Foundation Limited, Vice President of The Association of Experts for Moderization Limited.

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).

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT - CONTINUED

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 and he is the spouse of Ms. Suen Chui Fan, an executive director of the Company.

**Mr. Lun Yiu Kay Edwin**, aged 43, 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 16 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 member 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.

**Ms. Suen Chui Fan**, aged 71, joined Fook Shing Estate Group Limited in 1969, has over 40 years' experience in property investment and development, leasing and management. Ms. Suen joined the Winland Group in 2004 and is currently a director of several companies of the Winland Group. Ms. Suen Chui Fan is the mother of the Managing Director, Mr. Lun Yiu Kay Edwin and the spouse of the Chairman, Mr. Lun Chi Yim and she is deemed to be interested in Mr. Lun's shares which represented 718,428,037 shares of the Company as held by Winland Wealth (BVI) Limited. Winland Wealth (BVI) Limited was wholly owned by Winland Stock (BVI) Limited, a company wholly-owned by Mr. Lun Chi Yim.

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT - CONTINUED

She is the Permanent Honorary President, Committee Member and Deputy Secretary of Women's Committee of Federation of Hong Kong Guangdong Community Organisations, Honorary President of the Past Presidents Council of China Universities Alumni (H.K.) Association, Honorary President of Chiao Yao Association, Vice President of Central and Western District Branch of Hong Kong Real Estate Agencies General Association, Honorary President of the Hong Kong Overseas Chinese General Association, Honorary President of the Hong Kong (Eastern District) Heng Fa Women's Association, Honorary President of the Hong Kong Island Federation and an honorary citizen in the city of Lo Din in Guangdong Province of the PRC.

**Mr. Ng Tze Ho Joseph**, aged 41, 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 18 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.

### *Independent Non-Executive Directors*

**Dr. Tse Kwing Chuen**, aged 62, has been a Director since April 2007. He is also a member of the audit committee and nomination 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 a director of Zhong Da Technology Limited, a company incorporated in Hong Kong and is experienced in management of business enterprises. He is the Deputy President of China Universities Alumni (H.K.) Association and visiting Professor in Sun Yat-sen University in the PRC, and Tianjin Normal University in the PRC.

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT - CONTINUED

**Mr. Ng Hung Sui Kenneth**, aged 46, 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 Ng, Au Yeung & Partners Solicitors & Notaries 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 66, has been a Director since April 2007. He is also the Chairman of the audit committee and the remuneration committee and a member of nomination 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.

## 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.

# DIRECTORS' REPORT

## 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

# DIRECTORS' REPORT

## 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 acceptance of the option is HK\$1.00  |
| 9.  | The basis of determining the subscription price   | <p>The subscription price shall be determined by the Board and shall not be less than the highest of:</p> <ul style="list-style-type: none"><li>(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;</li><li>(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</li><li>(c) the normal value of a share of the Company</li></ul> |
| 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' REPORT

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

As at 31 March 2013, 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	718,428,037	Interest of controlled corporation/ Corporate interest	54.80
Suen Chui Fan	718,428,037	Interest of controlled corporation/ Corporate interest	54.80

Note:

These 718,428,037 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 718,428,037 shares under the SFO.



# DIRECTORS' REPORT

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

### (ii) Long positions in shares of associated corporation

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity/nature of interest	Shareholding percentage (%)
Winland Stock (BVI) Limited	Lun Chi Yim	1	Beneficial owner/ Personal interest	100
	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

Save as disclosed above, as at 31 March 2013, 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' REPORT

## 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:

<b>Name of Director</b>	<b>Name of entity of the Competing Business</b>	<b>Description of the Competing Business</b>	<b>Nature of interest of the Director in the entity</b>
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
Suen Chui Fan	Winland Finance Limited	Money lending	As director
	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.

# DIRECTORS' REPORT

## 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 2013, 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	718,428,037 (Note i)	Beneficial owner/ Beneficial interest	54.80
Suen Chui Fan (Note ii)	Long	718,428,037 (Note ii)	Interest of spouse/ Family interest	54.80
Winland Stock (BVI) Limited (Note iii)	Long	718,428,037 (Note iii)	Interest of controlled corporation/ Corporate interest	54.80

Notes:

- Mr. Lun Chi Yim was deemed to be interested by virtue of the SFO in the 718,428,037 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.
- 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.
- Winland Stock (BVI) Limited has declared an interest in 718,428,037 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.

# **DIRECTORS' REPORT**

## **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 2013 and has also discussed auditing, internal control and financial reporting matters of the Group.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

## **AUDITOR**

The financial statements have been audited by 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, 28 June 2013

# INDEPENDENT AUDITOR'S REPORT



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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 42 to 93, which comprise the consolidated and company statements of financial position as at 31 March 2013, and 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.

# INDEPENDENT AUDITOR'S REPORT

## 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 2013 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, 28 June 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
Turnover	7	149,434	96,964
Direct costs		(25,725)	(26,667)
Gross profit		123,709	70,297
Other revenue	7	6	413
Administrative and other operating expenses		(45,487)	(26,915)
Depreciation and amortisation		(18,772)	(18,722)
Finance costs	8	(3,639)	(3,990)
Profit before income tax	9	55,817	21,083
Income tax expense	10	(12,493)	(4,366)
Profit and total comprehensive income for the year		43,324	16,717
Profit and total comprehensive income attributable to:			
Owners of the Company		43,478	16,873
Non-controlling interests		(154)	(156)
		43,324	16,717
Earnings per share – basic and diluted (HK cents)	13	3.32	1.29

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	545,327	562,107
Intangible assets	16	4,180	5,347
Investment property	17	10,339	10,641
Club debentures	19	1,350	1,350
		<b>561,196</b>	<b>579,445</b>
<b>Current assets</b>			
Inventories	20	198	276
Trade and other receivables, deposits and prepayments	21	11,072	4,906
Amount due from a related party	26(c)	48	-
Tax recoverable		37	-
Cash and bank balances		22,895	32,616
		<b>34,250</b>	<b>37,798</b>
<b>Current liabilities</b>			
Other payables, deposits received and accrued charges		45,847	24,023
Amounts due to directors	26(d)	15	87
Amount due to a non-controlling shareholder of a subsidiary	26(e)	6,414	6,414
Amount due to a related party	26(c)	2	-
Dividend payable		422	422
Bank loans	22	233,293	323,273
Tax payable		6,885	5,670
		<b>292,878</b>	<b>359,889</b>
<b>Net current liabilities</b>		<b>(258,628)</b>	<b>(322,091)</b>
<b>Total assets less current liabilities</b>		<b>302,568</b>	<b>257,354</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Total assets less current liabilities</b>		<b>302,568</b>	257,354
<b>Non-current liabilities</b>			
Deferred tax liabilities	25	7,901	6,011
<b>Net assets</b>		<b>294,667</b>	251,343
<b>EQUITY</b>			
Share capital	23	26,218	26,218
Reserves		269,840	226,362
<b>Equity attributable to owners of the Company</b>		<b>296,058</b>	252,580
<b>Non-controlling interests</b>		<b>(1,391)</b>	(1,237)
<b>Total equity</b>		<b>294,667</b>	251,343

On behalf of the Board

\_\_\_\_\_  
Lun Chi Yim  
Director

\_\_\_\_\_  
Suen Chui Fan  
Director

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2	6
Interests in subsidiaries	18	237,238	220,633
Club debentures	19	1,350	1,350
		<b>238,590</b>	221,989
<b>Current assets</b>			
Deposits and prepayments		58	63
Cash and bank balances		1,658	1,689
		<b>1,716</b>	1,752
<b>Current liabilities</b>			
Other payables and accrued charges		2,492	2,477
Dividend payable		422	422
Amount due to a subsidiary	18(b)	886	892
		<b>3,800</b>	3,791
<b>Net current liabilities</b>		<b>(2,084)</b>	(2,039)
<b>Net assets</b>		<b>236,506</b>	219,950
<b>EQUITY</b>			
Share capital	23	26,218	26,218
Reserves	24	210,288	193,732
<b>Total equity</b>		<b>236,506</b>	219,950

On behalf of the Board

\_\_\_\_\_  
Lun Chi Yim  
Director

\_\_\_\_\_  
Suen Chui Fan  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	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 2011	26,218	57,556	129	104,874	45,837	234,614	(1,081)	233,533
Profit and total comprehensive income for the year	-	-	-	-	16,873	16,873	(156)	16,717
Unclaimed dividend forfeited	-	-	-	-	1,093	1,093	-	1,093
At 31 March 2012	26,218	57,556	129	104,874	63,803	252,580	(1,237)	251,343
Profit and total comprehensive income for the year	-	-	-	-	43,478	43,478	(154)	43,324
At 31 March 2013	26,218	57,556	129	104,874	107,281	296,058	(1,391)	294,667

Nature and purpose of the reserves are disclosed in Note 24.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000
<b>Operating activities</b>		
Profit before income tax	55,817	21,083
Interest income	(6)	(413)
Interest expenses	3,633	3,961
Depreciation of property, plant and equipment	17,303	17,253
Depreciation of investment property	302	302
Amortisation of intangible assets	1,167	1,167
Loss on disposal of property, plant and equipment	-	1
Operating cash flows before working capital changes	78,216	43,354
Decrease/(increase) in inventories	78	(82)
(Increase)/decrease in trade and other receivables, deposits and prepayments	(6,166)	1,319
Increase in amount due from a related party	(48)	-
Increase in other payables, deposits received and accrued charges	21,824	7,493
Decrease in amounts due to directors	(72)	(297)
Increase in amount due to a related party	2	-
Net cash generated from operations	93,834	51,787
Interest received	6	576
Interest paid	(3,633)	(3,961)
Tax (paid)/refunded	(9,425)	1,015
<b>Net cash generated from operating activities</b>	<b>80,782</b>	<b>49,417</b>
<b>Investing activities</b>		
Changes in loans receivable	-	2,700
Purchase of property, plant and equipment	(523)	(97)
<b>Net cash (used in)/generated from investing activities</b>	<b>(523)</b>	<b>2,603</b>
<b>Financing activities</b>		
Repayment of bank loans	(89,980)	(31,868)
<b>Net cash used in financing activities</b>	<b>(89,980)</b>	<b>(31,868)</b>
(Decrease)/increase in cash and cash equivalents	(9,721)	20,152
<b>Cash and cash equivalents at beginning of year</b>	<b>32,616</b>	<b>12,464</b>
<b>Cash and cash equivalents at end of year</b>	<b>22,895</b>	<b>32,616</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
<b>Cash and bank balances</b>	<b>22,895</b>	<b>32,616</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL

Mexan Limited (the “Company”) was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of registered office and principal place of operation of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in Note 31. 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 April 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of the new/revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosure set out in these consolidated financial statements.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle <sup>2</sup>
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKAS 1 (revised)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10, Investment Entities <sup>3</sup> HKFRS12 and HKAS 27 (2011)	

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

# NOTES TO THE FINANCIAL STATEMENTS

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

### (b) New/revised HKFRSs that have been issued but are not yet effective - continued

#### HKFRSs (Amendments) - Annual Improvements 2009-2011 Cycle

The improvements made amendments to following standards:

##### (i) *HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

##### (ii) *HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

##### (iii) *HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

##### (iv) *HKAS 34 Interim Financial Reporting*

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

### (b) New/revised HKFRSs that have been issued but are not yet effective - continued

#### Amendments to HKFRS 7 - Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

#### Amendments to HKAS 32 - Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

#### Amendments to HKAS 1 (Revised) - Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

#### HKFRS 9 - Financial Instruments

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 to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

### (b) New/revised HKFRSs that have been issued but are not yet effective - continued

#### HKFRS 10 - Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

#### HKFRS 12 - Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

### (b) New/revised HKFRSs that have been issued but are not yet effective - continued

#### HKFRS 13 - Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

#### Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) - Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity’s business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group’s consolidated financial statements.

# NOTES TO THE 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 the 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.

### (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, notwithstanding the fact that the Group and the Company suffered from net current liabilities of HK\$258,628,000 and HK\$2,084,000 respectively as at 31 March 2013.

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) Included in the Group’s borrowings classified as current liabilities as at the end of reporting period were revolving loans of HK\$70,000,000 for which the Group is able to continue using under the banking facilities granted by the bank. Moreover as at 31 March 2013, the Group has total banking facilities of HK\$515,293,000 of which about HK\$282,000,000 still remain unused. These facilities will be drawn under the Group’s requisition through the bank’s normal procedures; and
- (ii) The bank loans with the aggregate carrying amount of approximately HK\$146,255,000 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 2013 in order to comply with the requirements set out in Hong Kong 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. BASIS OF PREPARATION - CONTINUED

### (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.

## 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.

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. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (a) **Business combination and basis of consolidation – 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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (c) **Property, plant and equipment – continued**

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.

### (d) **Investment property**

Investment property is a property held either to earn rentals or for capital appreciation or for both or held for undetermined future use, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

### (e) **Intangible assets**

Intangible assets represent 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (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.

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) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (i) Financial instruments

#### (i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. During the year, the Group's financial assets included trade and other receivables, amount due to a related party, cash and bank balance and were classified as loans and receivables.

#### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (i) 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 but not limited to:

- 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 debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the 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 for the relevant financial assets.

Impairment losses are 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (i) Financial instruments – continued

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. During the year, the Group's financial liabilities included other payables, amounts due to directors, amount due to a non-controlling shareholder of a subsidiary, amount due to related party and bank loans were classified as financial liabilities at amortised cost.

##### Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable cost 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) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (i) Financial instruments – continued

#### (vii) 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.

### (j) 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 taxable 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 appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (k) 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 statement of cash flows.

### (l) 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.

### (m) 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.

### (n) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (n) Employee benefits – continued

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (o) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (p) **Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (i) children of that person's spouse or domestic partner; and
- (ii) dependents of that person or that person's spouse or domestic partner.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

### (a) Critical judgements in applying accounting policies

#### Classification of the leasehold land

The Group determines if the leasehold land of the Group qualifies as a finance lease based on the management judgement on whether or not substantially all risks and rewards incidental to ownership of leased asset have been transferred to the lessee.

Based on information that existed at the inception of the leases, the management consider the leasehold land of the Group was fulfilled the requirement of an finance lease classification which all risks and rewards incidental to ownership of the leasehold land have been transferred to the Group.

### (b) Key sources of estimation uncertainty

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. SEGMENT REPORTING

The Group has only one reportable operating segment which is hotel operation. No operating segments have been aggregated to form the above reportable operating segment.

### (a) Geographical information

During 2013 and 2012, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

### (b) Information about a major customer

The Group's customer base is diversified and there was one customer (2012: three) with whom transactions have exceeded 10% of the Group's revenue during the year as follows:

	2013 HK\$'000	2012 HK\$'000
Customer A	19,744	N/A
Customer B	N/A	11,007
Customer C	N/A	9,552
Customer D	N/A	9,419
	19,744	29,978



# NOTES TO THE FINANCIAL STATEMENTS

## 7. TURNOVER AND OTHER REVENUE

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

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

	2013 HK\$'000	2012 HK\$'000
Turnover		
Hotel operations		
- Hotel room sales	143,660	91,528
- Food and beverage income	5,376	5,058
- Miscellaneous sales	398	378
	149,434	96,964
Other revenue		
Loan interest income	-	409
Bank interest income	6	4
	6	413
	149,440	97,377

# NOTES TO THE FINANCIAL STATEMENTS

## 8. FINANCE COSTS

Finance costs comprise the following:

	2013 HK\$'000	2012 HK\$'000
Interest on bank loans		
- wholly repayable within five years (Note)	2,029	2,279
- not wholly repayable within five years (Note)	1,604	1,682
Total borrowing costs incurred	3,633	3,961
Bank charges	6	29
	3,639	3,990

Note: The analysis show finance costs of bank loans, all of which contain a repayment on demand clause in accordance with the agreed schedule dates set out in the loan agreements.

## 9. PROFIT BEFORE INCOME TAX

	2013 HK\$'000	2012 HK\$'000
Profit before income tax is arrived at after charging the following:		
Cost of services provided	25,725	26,667
Auditor's remuneration	485	460
Depreciation of property, plant and equipment	17,303	17,253
Depreciation of investment property	302	302
Amortisation of intangible assets	1,167	1,167
Loss on disposal of property, plant and equipment	-	1
Staff costs (including directors' emoluments as disclosed in Note 14)		
- Salaries and allowances	48,945	29,951
- Retirement benefit cost	909	911

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INCOME TAX EXPENSE

- (a) Hong Kong profits tax is provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

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

	2013 HK\$'000	2012 HK\$'000
<u>Current tax – Hong Kong Profits Tax</u>		
Provision for the year	10,672	5,082
Over-provision in prior year	(69)	(24)
	10,603	5,058
<u>Deferred taxation (Note 25)</u>		
Origination and reversal of temporary differences, net	1,890	(692)
<u>Income tax expense</u>	<u>12,493</u>	<u>4,366</u>

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

	2013 HK\$'000	2012 HK\$'000
<u>Profit before income tax</u>	<u>55,817</u>	<u>21,083</u>
Tax at applicable tax rate of 16.5% (2012: 16.5%)	9,210	3,478
Tax effect of expenses not deductible for tax purposes	2,773	255
Tax effect of income not taxable for tax purposes	(1)	-
Over-provision in prior year	(69)	(24)
Utilisation of tax loss previously not recognised	-	(20)
Unrecognised tax losses	580	677
<u>Income tax expense</u>	<u>12,493</u>	<u>4,366</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company for the year include a loss of HK\$3,444,000 (2012: loss of HK\$4,042,000) which has been dealt with in the financial statements of the Company.

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

	2013 HK\$'000	2012 HK\$'000
Amount of consolidated loss attributable to owners dealt with the Company's financial statements	(3,444)	(4,042)
Reversal of provision for impairment loss on amounts due from subsidiaries made in prior years	20,000	-
Company's profit/(loss) and total comprehensive income for the year (Note 24(iii))	16,556	(4,042)

## 12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2012: HK\$Nil).

## 13. EARNINGS PER SHARE

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

	2013 HK\$'000	2012 HK\$'000
Profit for the year attributable to owners of the Company	43,478	16,873
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

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2013

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonus HK\$'000	Total HK\$'000
<u>Executive directors</u>				
Lun Chi Yim	600	696	13,500	14,796
Lun Yiu Kay Edwin	500	-	8,000	8,500
Ng Tze Ho Joseph	80	-	-	80
Suen Chui Fan	350	83	2,300	2,733
	1,530	779	23,800	26,109
<u>Independent non-executive directors</u>				
Tse Kwing Chuen	160	-	-	160
Ng Hung Sui Kenneth	160	-	-	160
Lam Yiu Pang Albert	160	-	-	160
	480	-	-	480
<b>Total</b>	<b>2,010</b>	<b>779</b>	<b>23,800</b>	<b>26,589</b>

For the year ended 31 March 2012

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonus HK\$'000	Total HK\$'000
<u>Executive directors</u>				
Lun Chi Yim	300	345	3,000	3,645
Lun Yiu Kay Edwin	300	7	1,800	2,107
Ng Tze Ho Joseph	50	-	-	50
Suen Chui Fan	200	187	500	887
	850	539	5,300	6,689
<u>Independent non-executive directors</u>				
Tse Kwing Chuen	120	-	-	120
Ng Hung Sui Kenneth	120	-	-	120
Lam Yiu Pang Albert	120	-	-	120
	360	-	-	360
<b>Total</b>	<b>1,210</b>	<b>539</b>	<b>5,300</b>	<b>7,049</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS - CONTINUED

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2012: three) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2012: two) individuals were as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	973	1,043
MPF contributions	29	24
	1,002	1,067

Their emoluments fell within the emolument band of HK\$0 – HK\$1,000,000 for the years ended 31 March 2013 and 2012.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. PROPERTY, PLANT AND EQUIPMENT

### Group

	Hotel property HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost			
At 1 April 2011	686,275	2,580	688,855
Additions	-	97	97
Disposals	-	(2)	(2)
At 31 March 2012	686,275	2,675	688,950
Additions	-	523	523
At 31 March 2013	686,275	3,198	689,473
Accumulated depreciation			
At 1 April 2011	107,231	2,360	109,591
Charge for the year	17,157	96	17,253
Written back on disposal	-	(1)	(1)
At 31 March 2012	124,388	2,455	126,843
Charge for the year	17,157	146	17,303
At 31 March 2013	141,545	2,601	144,146
Net carrying value			
At 31 March 2013	544,730	597	545,327
At 31 March 2012	561,887	220	562,107

At 31 March 2013, the Group's hotel property was located in Hong Kong under medium-term lease and was pledged to a bank for granting loans to the Group amounting to HK\$233,293,000 (2012: HK\$323,273,000) (Note 22).

# NOTES TO THE FINANCIAL STATEMENTS

## 16. INTANGIBLE ASSETS

### Group

	<b>Total HK\$'000</b>
Cost	
At 1 April 2011, 31 March 2012 and 2013	14,000
Accumulated amortisation	
At 1 April 2011	7,486
Charge for the year	1,167
At 31 March 2012	8,653
Charge for the year	1,167
At 31 March 2013	9,820
Net carrying value	
At 31 March 2013	4,180
At 31 March 2012	5,347

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.



# NOTES TO THE FINANCIAL STATEMENTS

## 17. INVESTMENT PROPERTY

Group	2013 HK\$'000	2012 HK\$'000
<u>At cost</u>		
Cost		
At beginning and end of year	12,000	12,000
Accumulated depreciation		
At beginning of year	1,359	1,057
Charge for the year	302	302
At end of year	1,661	1,359
Net carrying value		
At end of year	10,339	10,641

The investment property represents an agricultural land held by the Group under medium term leases in Hong Kong. Currently the Group has not yet determined the future use of the land and holds of it for capital appreciation. At the end of reporting period, the directors consider no impairment of the investment property is necessary.

In the opinion of the directors, the fair value of the investment property cannot be determine reliably because the comparable market transactions are infrequent and alternative reliable estimates of fair value are not available. Accordingly, no information in respect of fair value of this investment property is disclosed.

## 18. INTERESTS IN SUBSIDIARIES

	Company 2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note (a))	237,419	240,814
	237,420	240,815
Less: provision for impairment loss	(182)	(20,182)
	237,238	220,633

- (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 repayable on demand.
- (c) Particulars of principal subsidiaries are set out in Note 31 to the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. CLUB DEBENTURES

	Group and Company	
	2013	2012
	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.

# NOTES TO THE FINANCIAL STATEMENTS

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

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	9,775	4,041
Less: allowance for doubtful debts (Note (b))	(19)	(19)
	9,756	4,022
Other receivables, deposits and prepayments	1,316	884
	11,072	4,906

- (a) The Group allows an average credit period of one week to its trade customers. All the trade receivables are expected to be recovered within one year. The following is an aging analysis of trade receivables, net of allowance, at the end of the reporting period:

	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 30 days	9,212	3,724
31 – 60 days	410	2
61 – 90 days	134	9
Over 90 days	-	287
	9,756	4,022

- (b) The aging analysis of trade receivables, net of allowances, of the Group as the end of reporting period is as follows:

	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Neither past due nor impaired	6,731	3,229
Within 30 days	2,684	494
31 – 60 days	207	2
61 – 90 days	134	9
Over 90 days	-	288
Amount past due but not impaired	3,025	793
	9,756	4,022

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

# NOTES TO THE FINANCIAL STATEMENTS

## 21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS - CONTINUED

- (b) At 31 March 2013, trade receivables of HK\$6,731,000 (2012: HK\$3,229,000) 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\$3,025,000 (2012: HK\$793,000) at 31 March 2013 were past due at 31 March 2013 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.

- (c) 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:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 April 2011, 31 March 2012 and 2013	19	19

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK\$19,000 (2012: HK\$19,000) which related to customers that were in financial difficulties and management assessed that the receivables is expected to be recovered.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. BANK LOANS

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Secured		
Bank installment loans	163,293	180,273
Bank revolving loans	70,000	143,000
	233,293	323,273

- (a) All bank loans are denominated in Hong Kong Dollars, carried at a variable interest rate with reference to HIBOR. At 31 March 2013, the effective interest rate of the bank installment loans and revolving loans are 0.93% and 2.03% (2012: 0.89% and 1.44%) 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\$163,293,000 (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:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
On demand or within one year	87,038	160,076
More than one year, but not exceeding two years	17,197	17,216
More than two year, but not exceeding five years	52,559	52,499
After five years	76,499	93,482
	146,255	163,197
	233,293	323,273

# NOTES TO THE FINANCIAL STATEMENTS

## 23. SHARE CAPITAL

	2013 and 2012	
	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.

## 24. 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 HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2011	57,556	129	104,874	34,122	196,681
Loss and total comprehensive income for the year	-	-	-	(4,042)	(4,042)
Unclaimed dividend forfeited	-	-	-	1,093	1,093
At 31 March 2012	57,556	129	104,874	31,173	193,732
Profit and total comprehensive income for the year	-	-	-	16,556	16,556
At 31 March 2013	57,556	129	104,874	47,729	210,288

# NOTES TO THE FINANCIAL STATEMENTS

## 25. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liabilities method using a taxation rate of 16.5% (2012:16.5%). The movement in deferred tax liabilities during year is as follows:

<b>Group</b>	<b>Accelerated tax depreciation HK\$'000</b>
At 1 April 2011	6,703
Credit to profit and loss (Note 10)	(692)
At 31 March 2012	6,011
Charge to profit and loss (Note 10)	1,890
At 31 March 2013	7,901

Details of unrecognised temporary differences as of the end of reporting period are as follows:

	<b>2013 HK\$'000</b>	<b>2012 HK\$'000</b>
Unutilised tax losses	75,817	72,314

The tax losses as at 31 March 2013 may be carried forward indefinitely. No deferred tax asset has been recognised in relation to such losses as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized due to the unpredictability of future profits streams of the Company and the Group's respective subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

## 26. RELATED PARTY TRANSACTIONS

As at 31 March 2013, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which is 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) During the year, the Group entered into the following transactions with related party:

Related party relationship	Type of transaction	2013 HK\$'000	2012 HK\$'000
Company controlled by the director	Purchase of goods	2	-
Company controlled by the director	Sales of goods	61	-

- (b) As at 31 March 2013, the Group's bank loans of HK\$233,293,000 (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 in which Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin have beneficial interests.
- (c) Amounts due from/(to) related parties are unsecured, interest free and repayable on demand.
- (d) Amounts due to directors are unsecured, interest free and repayable on demand.
- (e) Amount due to non-controlling shareholder of a subsidiary is unsecured, interest free and repayable on demand.
- (f) Compensation of key management personnel

The emoluments of directors and the senior management during the year were as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries, allowances and benefits in kind	26,589	7,049
Contributions to retirement benefits schemes	2	-
	26,591	7,049



# NOTES TO THE FINANCIAL STATEMENTS

## 26. RELATED PARTY TRANSACTIONS - CONTINUED

### (f) Compensation of key management personnel - continued

The emoluments paid or payable to the directors and the senior management were within the following bands:

	2013 No. of individuals	2012 No. of individuals
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$5,000,000	1	2
HK\$5,000,001 to HK\$10,000,000	1	-
HK\$10,000,001 to HK\$15,000,000	1	-

# NOTES TO THE FINANCIAL STATEMENTS

## 27. 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”), 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\$515,293,000 (2012: HK\$532,273,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK\$233,293,000 (2012: HK\$323,272,000) as at 31 March 2013. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The Company has not recognised any deferred income in respect of the guarantees as the fair value is insignificant and its transaction price was nil. The Company had not recognised any provision in the financial statements as at 31 March 2013 as the directors considered that the probability for the holder of the guarantees to call upon the Company as a result of default in repayment is remote.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. 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 22, less cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 23 and 24 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. No changes were made to the objectives or policies for both years.

The gearing ratio at the end of the reporting period was as follows:

	2013 HK\$'000	2012 HK\$'000
Debt	233,293	323,273
Cash and cash equivalents	(22,895)	(32,616)
	210,398	290,657
Equity	294,667	251,343
Debt to equity ratio	71%	116%

## 29. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 29. FINANCIAL RISK MANAGEMENT – CONTINUED

### (a) Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables.

The Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the 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. 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 2013, the Group had total available unutilised short-term bank loan facilities of approximately HK\$282,000,000 (2012: HK\$209,000,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 29. 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.

<b>Group</b>	<b>Carrying amount HK\$'000</b>	<b>Total contractual undiscounted cash flow HK\$'000</b>	<b>Within 1 year or on demand HK\$'000</b>
<b>2013</b>			
Other payables, deposits received and accrued charges	45,847	45,847	45,847
Amounts due to directors	15	15	15
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Amount due to a related party	2	2	2
Dividend payable	422	422	422
Bank loans	233,293	240,456	240,456
	<b>285,993</b>	<b>293,156</b>	<b>293,156</b>
<b>2012</b>			
Other payables, deposits received and accrued charges	24,023	24,023	24,023
Amount due to directors	87	87	87
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Dividend payable	422	422	422
Bank loans	323,273	330,913	330,913
	<b>354,219</b>	<b>361,859</b>	<b>361,859</b>

Included in the interest-bearing bank borrowings are mortgaged term loan and revolving loans which the related agreement 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 29. FINANCIAL RISK MANAGEMENT – CONTINUED

### (b) Liquidity risk – continued

In accordance with the terms of the loans, the contracted undiscounted payments are as follow:

<u>Group</u>	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
31 March 2013	233,293	240,456	88,483	18,483	55,449	78,041
31 March 2012	323,273	330,913	161,483	18,483	55,449	95,498

<u>Company</u>	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
<u>2013</u>			
Other payables and accrued charges	2,492	2,492	2,492
Dividend payable	422	422	422
Amount due to a subsidiary	886	886	886
	3,800	3,800	3,800
Finance guarantees issued – maximum amount grants	-	233,293	233,293
<u>2012</u>			
Other payables and accrued charges	2,477	2,477	2,477
Dividend payable	422	422	422
Amount due to a subsidiary	892	892	892
	3,791	3,791	3,791
Finance guarantees issued – maximum amount grants	-	323,273	323,273

# NOTES TO THE FINANCIAL STATEMENTS

## 29. FINANCIAL RISK MANAGEMENT – CONTINUED

### (c) Interest rate risk

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 22 to the consolidated financial statements. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

#### *Sensitivity analysis*

At 31 March 2013, 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\$974,000 (2012: HK\$1,350,000).

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 2012.

### (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 2013 and 2012.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. 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 2013 and 2012 may be categorised as follows:

	2013 HK\$'000	2012 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	32,699	36,638
Financial liabilities		
Financial liabilities measured at amortised cost	271,335	343,267



# NOTES TO THE FINANCIAL STATEMENTS

## 31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31 March 2013 are set out below:

Name of subsidiary	Place of incorporation and operation	Particulars of capital	Percentage held by holding		Principal activities
			directly	indirectly	
City Promenade Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	-	100%	Hotel operation
Perfect Plan Development Limited	Hong Kong	100 ordinary shares of HK\$1.00 each	-	51%	Property holding
Winland Mortgage Limited	Hong Kong	1 ordinary share of HK\$1.00 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

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.

# NOTES TO THE FINANCIAL STATEMENTS

## **32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors on 28 June 2013.

# FINANCIAL SUMMARY

	2013	2012	2011	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Year ended 31 March					
Turnover	<b>149,434</b>	96,964	79,992	66,081	75,768
Profit/(loss) attributable to equity holders of the Company	<b>43,478</b>	16,873	3,231	1,713	14,066
Total comprehensive income attributable to owners of the Company	<b>43,324</b>	16,717	3,077	1,559	13,905
Assets and liabilities					
As at 31 March					
Total assets	<b>595,446</b>	617,243	620,220	638,146	770,867
Total liabilities	<b>(300,779)</b>	(365,900)	(386,687)	(407,690)	(541,970)
Non-controlling interests	<b>1,391</b>	1,237	1,081	927	773
Equity attributable to equity holders of the Company	<b>296,058</b>	252,580	234,614	231,383	229,670

# PARTICULARS OF PRINCIPAL PROPERTY

## HOTEL PROPERTY

Particulars of the Group's hotel property as at 31 March 2013 are as follows:

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

## LAND

Address	Site Area (Sq. ft)	Lease Expiry	Group's interest
D.D. 243 in Sai Kung New Territories Hong Kong (certain lots)	165,748.30	2047	51%



MEXAN LIMITED  
茂盛控股有限公司

