

INTERIM REPORT 2014/2015



MEXAN LIMITED
茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 22

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

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

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

Shareholders may send their request to receive the interim report in printed form and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Tricor Tengis Limited Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Branch Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Lun Yiu Kay Edwin (*Acting Chairman*)

Suen Chui Fan

Ng Tze Ho Joseph

Independent Non-Executive Directors:

Tse Kwing Chuen

Ng Hung Sui Kenneth

Lam Yiu Pang Albert

Company Secretary

Au Chung Shing

Principal Bankers

Dah Sing Bank, Limited

The Hongkong and Shanghai Banking
Corporation Limited

Auditors

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Registered Office

Clarendon House

Church Street

Hamilton

HM 11

Bermuda

Principal Place of Business in Hong Kong

7th Floor, Mexan Harbour Hotel

Hotel 2, Rambler Crest

No. 1 Tsing Yi Road

Tsing Yi

New Territories

Hong Kong

Principal Registrar

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road Pembroke HM08

Bermuda

Branch Registrar in Hong Kong

Tricor Tengis Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

Website

www.mexanhk.com

Stock Code

22

The board of directors (the “Board”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2014. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated accounts of the Group for the six months ended 30 September 2014 together with the comparative figures for the corresponding previous period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Notes	Unaudited Six months ended 30 September 2014 HK\$'000	2013 HK\$'000
Turnover	3	66,155	90,498
Direct costs		<u>(12,235)</u>	<u>(11,859)</u>
Gross profit		53,920	78,639
Other revenue	3	3	4
Administrative expenses and other operating expenses		(12,308)	(11,407)
Depreciation and amortization		(8,772)	(8,711)
Finance costs	5	<u>(743)</u>	<u>(1,270)</u>
Profit before income tax	6	32,100	57,255
Income tax expenses	7	<u>(6,996)</u>	<u>(10,994)</u>
Profit and total comprehensive income for the period		<u>25,104</u>	<u>46,261</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		25,179	46,335
Non-controlling interests		<u>(75)</u>	<u>(74)</u>
		<u>25,104</u>	<u>46,261</u>
Earnings per share – basic and diluted (HK cents)	8	<u>1.921</u>	<u>3.535</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		520,359	528,915
Intangible assets		2,431	3,013
Investment property		9,887	10,037
Club membership		<u>1,350</u>	<u>1,350</u>
		<u>534,027</u>	<u>543,315</u>
Current assets			
Inventories		191	152
Trade receivables, deposits and prepayments	9	6,337	6,093
Amounts due from related parties	12(b)	-	8
Cash and bank balances		<u>14,385</u>	<u>19,637</u>
		<u>20,913</u>	<u>25,890</u>
Current liabilities			
Other payables, deposits received and accrued charges		18,228	48,518
Amounts due to a director	12(b)	21	21
Amounts due to a non-controlling shareholder of a subsidiary	12(b)	6,414	6,414
Bank loans	10	137,690	151,097
Tax payable		<u>7,596</u>	<u>4,309</u>
		<u>169,949</u>	<u>210,359</u>
Net current liabilities		<u>(149,036)</u>	<u>(184,469)</u>
Total assets less current liabilities		<u>384,991</u>	<u>358,846</u>
Non-current liabilities			
Deferred tax liabilities		<u>9,860</u>	<u>8,819</u>
		<u>9,860</u>	<u>8,819</u>
Net assets		<u>375,131</u>	<u>350,027</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

As at 30 September 2014

	Notes	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
EQUITY			
Share capital	11	26,218	26,218
Reserves		<u>350,534</u>	<u>325,355</u>
Equity attributable to owners of the Company		376,752	351,573
Non-controlling interests		<u>(1,621)</u>	<u>(1,546)</u>
Total equity		<u><u>375,131</u></u>	<u><u>350,027</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

Unaudited

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2014 (Audited)	26,218	57,556	129	104,874	162,796	351,573	(1,546)	350,027
Profit/(loss) for the period	-	-	-	-	25,179	25,179	(75)	25,104
At 30 September 2014 (unaudited)	26,218	57,556	129	104,874	187,975	376,752	(1,621)	375,131

Unaudited

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2013 (Audited)	26,218	57,556	129	104,874	107,281	296,058	(1,391)	294,667
Profit/(loss) for the period	-	-	-	-	46,335	46,335	(74)	46,261
At 30 September 2013 (unaudited)	26,218	57,556	129	104,874	153,616	342,393	(1,465)	340,928

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2014*

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Net cash inflow from operating activities	9,105	47,661
Net cash outflow from investing activities	(212)	(893)
Net cash outflow from financing activities	<u>(14,145)</u>	<u>(46,213)</u>
(Decrease)/increase in cash and cash equivalents	(5,252)	555
Cash and cash equivalents at beginning of period	<u>19,637</u>	<u>22,895</u>
Cash and cash equivalents at end of period	<u>14,385</u>	<u>23,450</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>14,385</u>	<u>23,450</u>

NOTES TO CONDENSED INTERIM 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 interim report.

The Company is an investment holding company. The Company and its subsidiaries are collectively referred to as the “Group”.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2014 (the “Unaudited Condensed Interim Financial Information”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Unaudited Condensed Interim Financial Information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

The Unaudited Condensed Interim Financial Information has been prepared under the historical cost convention and the accounting policies of which are consistent with those of the Group’s annual audited financial statements for the year ended 31 March 2014 (the “2014 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 September 2014 are consistent with those used in the preparation of the 2014 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations as disclosed below.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

The Unaudited Condensed Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the year ended 31 March 2014 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which is relevant to and effective for the Group's financial statements for the annual financial period beginning on or after 1 April 2014.

Other than as note below, the adoption of these new or amend HKFRSs has had no material impact on the Unaudited Condensed Interim Financial Information.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already by the Group.

3. TURNOVER

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:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Turnover		
Hotel operations		
- Hotel room sales	63,386	87,739
- Food and beverage income	2,479	2,591
- Miscellaneous sales	290	168
	66,155	90,498
Other revenues		
Bank interest income	3	4
	66,158	90,502

4. SEGMENT INFORMATION

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.

5. FINANCE COSTS

Finance costs comprise the following:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Interest on bank loans not wholly repayable within five years	590	677
Interest on bank loans wholly repayable within five years	148	589
	<hr/>	<hr/>
Total borrowing costs incurred	738	1,266
Bank charges	5	4
	<hr/>	<hr/>
	743	1,270

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived after charging the following:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Cost of service provided	12,235	11,859
Staff costs	11,256	9,948
Depreciation of property, plant and equipment	8,772	8,711
Amortisation of intangible assets	583	583
Depreciation of investment property	151	151
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

Hong Kong profits tax is provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period.

The income tax expense in condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	5,955	10,076
Deferred taxation	<u>1,041</u>	<u>918</u>
	<u><u>6,996</u></u>	<u><u>10,994</u></u>

8. 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:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	<u><u>25,179</u></u>	<u><u>46,335</u></u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><u>1,310,925</u></u>	<u><u>1,310,925</u></u>

There is no dilutive potential share for the six months ended 30 September 2014 and 30 September 2013.

9. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Trade receivables	5,359	4,829
Deposits and prepayments	978	1,264
	6,337	6,093

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

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Within 30 days	3,971	4,698
31 – 60 days	1,388	4
61 – 90 days	-	-
Over 90 days	-	127
	5,359	4,829

10. BANK LOANS

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Secured		
Bank instalment loans	129,690	146,097
Bank revolving loans	8,000	5,000
	<hr/>	<hr/>
Bank loans	137,690	151,097

- (a) All bank loans are denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 30 September 2014, the effective interest rate of the bank instalment loans and revolving loans are 0.86% and 2.16% (31 March 2014: 0.86% and 2.16%) per annum 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 instalment loans are repayable in monthly instalments until May 2022 and the bank revolving loans are granted for a period of one to three months. In accordance with HK Interpretation 5, the Group's instalment loans of HK\$129,690,000 (31 March 2014: HK\$146,097,000) containing a repayment on demand clause has been classified as a current liability in its entirety.

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

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
On demand or within one year	24,436	22,228
More than one year, but not exceeding two years	16,578	17,385
More than two years, but not exceeding five years	50,595	53,112
After five years	46,081	58,372
	<hr/>	<hr/>
	113,254	128,869
	<hr/>	<hr/>
Bank loans	137,690	151,097

11. SHARE CAPITAL

	Ordinary shares of HK\$0.02 each	
	Number of shares	HK\$'000
Authorised:		
At 31 March 2014, 1 April 2014 and 30 September 2014	<u>3,000,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 31 March 2014, 1 April 2014 and 30 September 2014	<u>1,310,925,244</u>	<u>26,218</u>

12. RELATED PARTY TRANSACTIONS

As at 30 September 2014, 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 have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

- (a) As at 30 September 2014, the Group's bank loans of HK\$137,690,000 (31 March 2014: HK\$151,097,000) were secured by personal guarantees from Mr. Lun Chi Yim (deceased) 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 (deceased) and Mr. Lun Yiu Kay Edwin have beneficial interests.
- (b) Amounts due from related party, amounts due to a director and amounts due to a non controlling shareholder of a subsidiary are unsecured, interest free and repayable on demand.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group mainly focuses on the operation of Mexan Harbour Hotel, a 800-room four-star hotel in Tsing Yi. For the six months ended 30 September 2014, the Group recorded a turnover of approximately HK\$66 million (2013: HK\$90 million) generated from hotel operations.

The profit before income tax for the period was HK\$32 million (2013: HK\$57 million), representing a increase of 44% as compared with the corresponding period in last year.

Looking forward, the management will closely monitor any future fluctuations and uncertainties of the market, continues optimizing its earnings, implementing strict cost controls and keep on improving their quality of services to customers.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2014, the Group's total borrowings amounted to approximately HK\$138 million (31 March 2014: HK\$151 million). As at 30 September 2014, cash and bank balances amounted to approximately HK\$14 million (31 March 2014: HK\$20 million). The Group's net assets as at 30 September 2014 amounted to HK\$375 million (31 March 2014: HK\$350 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 37% as at 30 September 2014 compared to approximately 43% as at 31 March 2014.

Of the Group's total borrowings as at 30 September 2014, approximately HK\$24 million (18%) would be due within one year, approximately HK\$17 million (12%) would be due in more than one year but not exceeding two years, approximately HK\$51 million (37%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$46 million (33%) would be due in more than five years.

The Group's total borrowings were denominated in HK\$, and bear a variable interest rate.

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

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2014, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 September 2014, the total number of employees of the Group was approximately 127 (31 March 2014: 120). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

During the six months ended 30 September 2014, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") has been adopted on 27 September 2004 for a term of 10 years from the date of adoption. No option has been granted under the Scheme during the period from the date of its adoption up to 30 September 2014.

A summary of the principal terms of the Scheme has been set out in the 2014 annual report of the Company. The terms of the Scheme have never been amended since its adoption.

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

As at 30 September 2014, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules were as follows:

(1) Long Positions in Shares of the Company

Name of Director	No. of shares of HK\$0.02 each held	Capacity / nature of interest	Approximate shareholding percentage as at 30 September 2014 (%)
Lun Chi Yim (deceased)	723,148,037	Interest of controlled corporation / Corporate interest	55.16
Suen Chui Fan	723,148,037	Interest of spouse / Family interest	55.16

Note:

These 723,148,037 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 (deceased). Ms. Suen Chui Fan is the spouse of Mr. Lun Chi Yim (deceased). Accordingly, Winland Stock (BVI) Limited, Mr. Lun Chi Yim (deceased) and Ms. Suen Chui Fan are deemed to be interested in the said 723,148,037 shares under the SFO.

(2) Long Positions in Shares of Associated Corporation

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity / nature of interest	Shareholding percentage as at 30 September 2014 (%)
Winland Stock (BVI) Limited	Lun Chi Yim (deceased)	1	Beneficial owner / Personal interest	100
	Suen Chui Fan	1	Interest of spouse / Family interest	100
Winland Wealth (BVI) Limited	Lun Chi Yim (deceased)	1	Interest of controlled corporation / Corporate interest	100
	Suen Chui Fan	1	Interest of spouse / Family interest	100

Note:

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

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

Save as disclosed above, as at 30 September 2014, none of the Directors of the Company or any of their respective associates had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which are required to be recorded under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the section headed "SHARE OPTION SCHEME", at no time during the six months ended 30 September 2014 was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, the following corporations and persons, other than the Directors whose interests are disclosed above, who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Long/short position	No. of shares of HK\$0.02 each held	Capacity / nature of interest	Approximate shareholding percentage as at 30 September 2014 (%)
Winland Wealth (BVI) Limited (Note i)	Long	723,148,037	Beneficial owner/ Personal interest	55.16
Winland Stock (BVI) Limited (Note ii)	Long	723,148,037	Interest of controlled corporation/ Corporate interest	55.16

Notes:

- i. Mr. Lun Chi Yim (deceased) was deemed to be interested by virtue of the SFO in the 723,148,037 shares of the Company held by Winland Wealth (BVI) Limited which was wholly owned by Winland Stock (BVI) Limited, a company wholly-owned by Mr. Lun. Ms. Suen Chui Fan, the spouse of Mr. Lun Chi Yim (deceased), is deemed to be interested in Mr. Lun's shares which represented the same parcel of shares of the Company as held by Winland Wealth (BVI) Limited.
- ii. Winland Stock (BVI) Limited has declared an interest in 723,148,037 shares by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited.

Save as disclosed above, as at 30 September 2014, none of the substantial shareholder or other persons, other than the Directors or chief executive of the Company, had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2014 except for the following deviation:

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

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lam Yiu Pang Albert and Mr. Ng Hung Sui Kenneth are independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 15 September 2014 as they had other business engagement.

CHANGE IN DIRECTORS’ BIOGRAPHICAL DETAILS

During the period under review, change in biographical details of Directors since the date of the 2014 Annual Report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is as below:

The independent non-executive director Dr. Tse Kwing Chuen is appointed as executive director of China Ocean Shipbuilding Industry Group Limited (Stock code: 00651) with effect from 11 August 2014.

AUDIT COMMITTEE

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2014 and discussed with the management the accounting principles and practices and internal control of the Group.

REMUNERATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 September 2014.

APPRECIATION

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

By Order of the Board
MEXAN LIMITED
Lun Yiu Kay Edwin
Acting Chairman

Hong Kong, 27 November 2014