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MEXAN LIMITED
茂 盛 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)
(Stock Code: 22)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The board of directors (the "Board") of MEXAN LIMITED (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009 together with the comparative figures for the corresponding previous period as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

		Unaudited Six months ended 30 September	
	Notes	**2009**	2008
		HK$'000	*HK$'000* (Restated)
Turnover	2	**29,957**	37,279
Direct costs		**(10,548)**	(11,035)
Gross profit		**19,409**	26,244
Other revenues	2	**8,925**	4,052
Administrative expenses		**(20,223)**	(22,543)
Profit from operations		**8,111**	7,753
Finance costs	4	**(3,293)**	(5,464)
Profit before taxation		**4,818**	2,289
Taxation	5	**(2,181)**	(598)
Profit for the period	6	**2,637**	1,691
Attributable to:			
Equity holders of the Company		**2,711**	1,765
Minority interests		**(74)**	(74)
		2,637	1,691
Dividend		**—**	—
Basic earnings per share (cents)	7	**0.207**	0.135

* *For identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

	Notes	Unaudited 30 September 2009 HK$'000	Audited 31 March 2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**605,164**	613,976
Intangible assets		**8,264**	8,847
Prepaid lease payments		**11,094**	11,245
Club debentures		**1,350**	1,350
		625,872	635,418
Current assets			
Inventories		**216**	276
Prepaid lease payments		**302**	302
Trade and other receivables, deposits and prepayments	*8*	**5,180**	4,398
Loan receivable	*9*	**130,905**	125,225
Cash and cash equivalents		**4,685**	5,248
		141,288	135,449
Current liabilities			
Other payables, deposits received and accrued charges		**8,921**	7,354
Amount due to a minority shareholder		**6,414**	6,414
Dividend payable		**1,515**	1,515
Bank loans		**306,639**	309,182
Tax payable		**4,253**	2,814
		327,742	327,279
Net current liabilities		**(186,454)**	(191,830)
Total assets less current liabilities		**439,418**	443,588
Non-current liabilities			
Bank loans		**205,728**	213,271
Deferred tax liabilities		**2,156**	1,420
		207,884	214,691
Net assets		**231,534**	228,897
EQUITY			
Share capital		**26,218**	26,218
Reserves		**206,163**	203,452
Equity attributable to equity holders of the Company		**232,381**	229,670
Minority interests		**(847)**	(773)
Total equity		**231,534**	228,897

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2009, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC)"), which are effective for the current period's unaudited condensed consolidated interim financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of assets from customers

Apart from the above, the HKICPA has issued improvements to HKFRSs which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

Except for HKAS 1 (Revised) and HKFRS 8 giving rise to new accounting policies and additional disclosure as further described below, the adoption of the new interpretations and amendments has had no significant effect on these condensed consolidated interim financial statements.

HKAS 1 (Revised) *Presentation of Financial Statements*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owner, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expenses, either in one single statement, or in two linked statements. The Group has elected to present one statement.

HKFRS 8 ***Operating Segment***

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting (See Note 3).

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

HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issue[2]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Revised)	First-time adoption of HKFRSs[1]
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters[3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners[1]
Various	Annual improvements to HKFRS 2009[4]

Effective date

1 Annual periods beginning on or after 1 July 2009
2 Annual periods beginning on or after 1 February 2010
3 Annual periods beginning on or after 1 January 2010
4 Annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

2. TURNOVER

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

	Unaudited Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Turnover		
Hotel operations and management services	**29,957**	37,279
Other revenues		
Loan interest income and arrangement fee income less costs for recovery	**8,782**	4,043
Bank interest income	**1**	9
Other income	**142**	—
	8,925	4,052
Total revenues	**38,882**	41,331

3. SEGMENT INFORMATION

The Group's revenue and results for the periods ended 30 September 2009 and 2008 were mainly derived from hotel operation. In accordance with the Group's internal financial reporting, the Group has determined that the primary segment reporting basis is by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's operations are located in Hong Kong.

4. FINANCE COSTS

Finance costs comprise the following:

	Unaudited Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000* (Restated)
Interest on bank loans not wholly payable within five years	**1,399**	2,774
Interest on bank loans wholly payable within five years	**1,889**	2,671
Total borrowing costs incurred	**3,288**	5,445
Bank charges	**5**	19
	3,293	5,464

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Overseas taxation is provided for the overseas operations in accordance with the tax laws of the countries in which the entities operate.

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

	Unaudited Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Current year tax charge	**1,445**	598
Deferred tax charge	**736**	—
	2,181	598

6. PROFIT FOR THE PERIOD

Profit for the period is stated after charging the following:

	Unaudited Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Staff costs	**11,720**	11,886
Depreciation of property, plant and equipment	**8,824**	8,812
Amortisation of intangible assets	**583**	583
Release of prepaid lease payments to profit or loss	**151**	151
Provision for doubtful debts	**—**	19

7. BASIC EARNINGS PER SHARE

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

	Unaudited Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to equity holders of the Company for the purpose of the calculation of basic earnings per share	**2,711**	1,765
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	**1,310,925,244**	1,310,925,244

No diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 30 September 2009.

For the period ended 30 September 2008, diluted earnings per share is not shown as the potential ordinary shares are anti-dilutive.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Trade receivables *(note (a))*	**3,589**	3,098
Other receivables	**609**	79
Deposits and prepayments	**982**	1,221
	5,180	4,398

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

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Within 30 days	**2,531**	2,797
31 - 60 days	**1,058**	301
	3,589	3,098

(b) No allowance for doubtful debts was made during the period. All of the Company's trade receivables were neither past due nor impaired, which relate to a wide range of customers for whom there was no recent history of default.

9. LOANS RECEIVABLE

	Group	
	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Facilities *(note)*	**106,200**	108,900
Interest receivables less costs for recovery	**24,705**	16,325
	130,905	125,225

At 30 September 2009, the effective interest rate ranged from 1.5% to 2% per month.

Note:

Out of the total HK$106,200,000 loan facilities noted as at 30 September 2009, HK$104,000,000 loan facility ("Facility 1") was entered by Winland Mortgage Limited ("Winland Mortgage"), a wholly-owned subsidiary of the Company, with a borrower (the "Borrower"), a company incorporated in Hong Kong with limited liability and is principally engaged in property holding for a period of four months from the date of drawdown. Facility 1 was drawdown by the Borrower on 8 August 2008. A non-refundable arrangement fee of 0.8% and 2.0% monthly interest rate was charged on Facility 1.

Facility 1 was secured in favour to Winland Mortgage by (i) debenture including a fixed legal charge on a property of the Borrower, a hotel property named Tatami Hampton Hotel, No. 11 Changsha Street, Kowloon of Kowloon Inland lot No. 7339 (the "Property") and floating charge on all the Borrower's assets, undertakings and uncalled capital; (ii) assignment of sales proceeds from the sale of the Property; (iii) assignment of the relevant insurance policies of adequate coverage relating to the Property; (iv) irrevocable power of attorney to deal with the Property; and (v) other ancillary or further documents or securities as Winland Mortgage or its legal advisors required.

With reference to announcements made by the Company dated 5 December 2008, 11 June 2009 and 13 July 2009, the Company had extended the repayment period of Facility 1 for a further term of 6 months, 1 month and 6 months respectively with interest charged on the outstanding amount of Facility 1. Facility 1 will be expired on 7 January 2010.

During the six months period ended 30 September 2009, the Borrower has entered into a provisional sale and purchase agreement to dispose of the Property. On 26 November 2009, Winland Mortgage appointed receivers and managers to take possession of the Property. On 17 December 2009, the sale and purchase transaction was completed, Winland Mortgage has received HK$136,904,154 which covered the principal amount of Facility 1, part of the loan interest entitled under the loan agreement and various fees related to the recovery of the Facility 1.

10. COMPARATIVE FIGURES

The comparative figures for income from money lending business under Turnover and related cost under Direct Costs have been reclassified to confirm with the current year's presentation to better reflect the principal activities of the Group.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Turnover of the Group for the six months ended 30 September 2009 amounted to approximately HK$30 million which solely comprised the turnover generated from the hotel operations, representing a decrease of 20% when compared with the turnover of approximately HK$37.3 million generated for the corresponding period in 2008. The drop in turnover was due to the outbreak of the human swine flu and the drop of number of visitors during the period under review.

The Group recorded a profit attributable to equity holders of the Company of approximately HK$2.7 million for the six months ended 30 September 2009, as compared to the profit attributable to equity holders of the Company of approximately HK$1.8 million for the corresponding period in 2008. Although the gross profit from the hotel operation was decreased, increase of profit attributable to equity holders was resulted as there were reduction in finance costs due to the declined interest rate; and increase of loan interest income generated from the non-recurring money lending business, which mainly represented the interest earned from a loan to a third party, loan amount of which is HK$104 million. As at 30 September 2009, interest amounted to HK$250,000 was received from this loan. As at the date of this announcement, the Group has received HK$136,904,154 from this loan, which covered the principal amount of this loan, part of the loan interest entitled under the loan agreement and various fees related to the recovery of this loan.

Business Review and Outlook

The Group mainly focuses on the operation of Mexan Harbour Hotel, a 800-room four-star hotel in Tsing Yi. The Group has recorded a significant drop in turnover for the period under review when compared with the corresponding period in last year as there was an outbreak of the human swine flu in the second quarter of year 2009, together with the continuing decline in the number of visitors resulted from the global financial crisis.

Looking forward, it is still unclear as to how the hotel industry will be affected as there is still uncertainty whether the economic downturn is really over. The hotel business in Hong Kong in the foreseeable future will continue to be challenging.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2009, the Group's total borrowings amounted to approximately HK$512 million (31 March 2009: HK$522 million). As at 30 September 2009, cash and bank balances amounted to approximately HK$5 million (31 March 2009: HK$5 million). The Group's net assets as at 30 September 2009 amounted to approximately HK$232 million (31 March 2009: HK$229 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 221% as at 30 September 2009 compared to approximately 228% as at 31 March 2009.

Of the Group's total borrowings as at 30 September 2009, approximately HK$307 million (60%) would be due within one year, approximately HK$16 million (3%) would be due in more than one year but not exceeding two years, approximately HK$50 million (10%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK$139 million (27%) would be due in more than five years.

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

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

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2009, 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 2009, the total number of employees of the Group was approximately 139 (31 March 2009: 135). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

During the six months ended 30 September 2009, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

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 2009 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.

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 2009 and discussed with the management the accounting principles and practices and internal control of the Group.

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 2009.

By Order of the Board
Lun Chi Yim
Chairman

Hong Kong, 18 December 2009

As at the date of this announcement, the Executive Directors are Mr. Lun Chi Yim, Mr. Lun Yiu Kay Edwin and Mr. Ng Tze Ho Joseph and the Independent Non-Executive Directors are Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert.