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MEXAN LIMITED
茂盛控股有限公司*

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

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2011

RESULTS

The board of directors (the "Board") of MEXAN LIMITED (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011, together with comparative figures for the corresponding year 2010 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Turnover	*4*	**79,992**	66,081
Direct costs		**(26,304)**	(22,036)
Gross profit		**53,688**	44,045
Other revenue	*4*	**599**	16,712
Administrative expenses		**(44,072)**	(50,093)
Finance costs	*5*	**(3,376)**	(6,204)
Profit before income tax	*6*	**6,839**	4,460
Income tax expense	*7*	**(3,762)**	(2,901)
Profit and total comprehensive income for the year		**3,077**	1,559
Profit and total comprehensive income attributable to:			
Owners of the Company		**3,231**	1,713
Non-controlling interests		**(154)**	(154)
		3,077	1,559
Basic earnings per share (HK cents)	*8*	**0.25**	0.13

* *For identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2011

	Notes	31/3/2011 HK$'000	31/3/2010 HK$'000 (Restated)	1/4/2009 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**579,264**	596,489	613,976
Intangible assets		**6,514**	7,681	8,847
Prepaid lease payments		**10,641**	10,943	11,245
Club debentures		**1,350**	1,350	1,350
		597,769	616,463	635,418
Current assets				
Inventories		**194**	226	276
Prepaid lease payments		**302**	302	302
Trade and other receivables, deposits and prepayments	*9*	**6,225**	10,675	4,398
Loans receivable	*10*	**2,863**	2,701	125,225
Tax recoverable		**403**	1,577	—
Bank balances		**12,464**	6,202	5,248
		22,451	21,683	135,449
Current liabilities				
Other payables, deposits received and accrued charges		**16,530**	16,866	7,354
Amounts due to directors		**384**	—	—
Amount due to a minority shareholder		**6,414**	6,414	6,414
Dividend payable		**1,515**	1,515	1,515
Bank loans		**355,141**	379,302	522,453
Tax payable		**—**	—	2,814
		379,984	404,097	540,550
Net current liabilities		**(357,533)**	(382,414)	(405,101)
Total assets less current liabilities		**240,236**	234,049	230,317
Non-current liabilities				
Deferred tax liabilities		**6,703**	3,593	1,420
Net assets		**233,533**	230,456	228,897
EQUITY				
Share capital		**26,218**	26,218	26,218
Reserves		**208,396**	205,165	203,452
Equity attributable to owners of the Company		**234,614**	231,383	229,670
Non-controlling interests		**(1,081)**	(927)	(773)
TOTAL EQUITY		**233,533**	230,456	228,897

Notes:

1. ADOPTION OF NEW AND REVISED STANDARDS

(a) Adoption of new/revised HKFRSs — effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's consolidated financial statements.

HKFRS 3 (Revised) — Business Combinations and HKAS 27(Revised) — Consolidated and Separate Financial Statements

The revised accounting policies to the consolidated financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the consolidated financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the consolidated financial statements.

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate and therefore the adoption of revised HKAS 17 has had no impact on the consolidated financial statements.

HK Interpretation 5 — Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2009, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of HK Interpretation 5 on the consolidated statement of financial position as follow:

	31/3/2011	31/3/2010	1/4/2009
	HK$'000	*HK$'000*	*HK$'000*
Increase/(decrease) in			
Current liabilities			
Bank loans	**180,113**	197,487	213,271
Non-current liabilities			
Bank loans	**(180,113)**	(197,487)	(213,271)

(b) Issued new/revised HKFRSs that are potentially relevant to the Group but are not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

HKFRS 9 "Financial Instruments", replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. 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, on investment-by-investment basis, to recognise the gains and losses in other comprehensive income that will not be recycled to profit or loss. HKFRS 9 carries forward the recognition 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.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

2. 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 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, assuming that the Group will continue to operate as a going concern, notwithstanding the fact that the Group and the Company suffered from net current liabilities of HK$357,533,000 and HK$3,563,000 respectively as at 31 March 2011 (2010: HK$382,414,000 and HK$3,246,000).

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) As at 31 March 2011, the Group has total banking facilities of HK$549,141,000. Drawdown from this facility will be subject to the bank's normal approval procedures. As at 31 March 2011, about HK$194,000,000 of these facilities still remain unused; and

(ii) The bank loans with the aggregate carrying amount of approximately HK$180,113,000 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 2011 in order to comply with the requirements set out in Hong King 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.

(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 and each of the group entities.

3. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Hotel operation business
- Money lending business

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Corporate expenses, assets and liabilities are not allocated to the reportable segments as they are not included in the measure of the segments' profit, asset and liabilities that is used by the chief operating decision-makers for assessment of segment performance.

(a) Business segments

	Hotel operation business		**Money lending business**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**79,992**	66,081	**596**	16,711	**80,588**	82,792
Reportable segment profit/(loss)	**15,404**	9,385	**(97)**	6,285	**(15,307)**	15,670
Interest revenue	**3**	1	**—**	—	**3**	1
Interest expense	**(2,832)**	(5,229)	**—**	—	**(2,832)**	(5,229)
Depreciation and amortisation	**(18,446)**	(18,739)	**—**	—	**(18,446)**	(18,739)
Income tax expenses	**(3,698)**	(2,173)	**—**	(728)	**(3,698)**	(2,901)
Reportable segment assets	**600,013**	615,974	**6,780**	7,852	**606,793**	623,826
Additions to non-current assets	**61**	89	**—**	—	**61**	89
Reportable segment liabilities	**315,663**	387,753	**34**	9,400	**315,697**	397,153

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2011	2010
	HK$'000	*HK$'000*
Profit before income tax		
Reportable segment profit	**15,307**	15,670
Unallocated corporate expenses	**(5,092)**	(5,981)
Finance costs	**(3,376)**	(5,229)
Consolidated profit before income tax	**6,839**	4,460
Assets		
Reportable segment assets	**606,793**	623,826
Unallocated corporate assets		
— Prepaid lease payments	**10,943**	11,245
— Others	**2,484**	3,075
	13,427	14,320
Consolidated total assets	**620,220**	638,146
Liabilities		
Reportable segment liabilities	**315,697**	397,153
Unallocated corporate liabilities		
— Bank loan	**54,117**	—
— Amount due to a minority shareholders	**6,414**	6,414
— Others	**10,459**	4,123
	70,990	10,537
Consolidated total liabilities	**386,687**	407,690

(c) Geographical information

During 2011 and 2010, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

(d) Information about a major customer

The Group's customer base is diversified and there were one customer in the hotel operation business (2010: four) with whom transactions have exceeded 10% of the Group's revenue. In 2011, revenue from one customer in the hotel operation business segment amounted to approximately HK$17,815,000 (2010: revenue from three customers in the hotel operation business segment amounted to approximately HK$11,400,000, HK$9,910,000, HK$8,810,000 and revenue from the one customer in the money lending business amounted to approximately HK$16,200,000).

4. TURNOVER AND OTHER REVENUE

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

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

	2011	2010
	HK$'000	*HK$'000*
Turnover		
Hotel operations and management services		
— Hotel rooms sales	**74,028**	60,698
— Food and beverage income	**5,289**	4,822
— Miscellaneous sales	**675**	561
	79,992	66,081
Other revenue		
Loan interest income	**596**	16,711
Bank interest income	**3**	1
	599	16,712
Total revenues	**80,591**	82,793

5. FINANCE COSTS

Finance costs comprise the following:

	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans		
— wholly repayable within five years	**1,437**	3,346
— not wholly repayable within five years	**1,914**	2,852
Total borrowing costs incurred	**3,351**	6,198
Bank charges	**25**	6
	3,376	6,204

6. PROFIT BEFORE INCOME TAX

	2011 HK$'000	2010 HK$'000
Profit before income tax is arrived after charging/(crediting) the following:		
Cost of services provided	**26,304**	22,036
Auditor's remuneration	**440**	420
Depreciation of property, plant and equipment	**17,285**	17,576
Amortisation of intangible assets	**1,167**	1,166
Loss on disposal of property, plant and equipment	**1**	—
(Reversal of)/provision for doubtful debt	**(232)**	232
Release of prepaid lease payments to profit or loss	**302**	302
Staff costs (including directors' emoluments)		
— Salaries and allowances	**27,210**	30,977
— Retirement benefit cost	**928**	902
	28,138	31,879

7. INCOME TAX EXPENSE

(a) Hong Kong profits tax is provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

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

	2011 HK$'000	2010 HK$'000
Current year tax charge	**652**	728
Deferred tax charge	**3,110**	2,362
Over-provision in prior year	**—**	(189)
	3,110	2,173
	3,762	2,901

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

	2011 HK$'000	2010 HK$'000
Profit before income tax	**6,839**	4,460
Calculated at the tax rate of 16.5% (2010: 16.5%)	**1,128**	736
Tax effect of expenses not deductible for tax purposes	**1,795**	1,690
Tax effect of income non-taxable for tax purpose	**—**	(263)
Over-provision in prior year	**—**	(189)
Unrecognised tax losses and deductible temporary differences	**839**	927
Income tax charge	**3,762**	2,901

8. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**3,231**	1,713
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

No diluted earnings per share is shown as the Company has no dilutive potential ordinary shares outstanding during both years.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**5,249**	6,544
Less: allowance for doubtful debts *(Note (b))*	**(19)**	(251)
	5,230	6,293
Other receivables	**80**	3,529
Deposits and prepayments	**915**	853
	6,225	10,675

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

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**4,786**	4,207
31 — 60 days	**156**	1,956
61 — 90 days	**261**	7
Over 90 days	**27**	123
	5,230	6,293

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

At 31 March 2011, trade receivables of HK$4,786,000 (2010: HK$4,207,000) 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$444,000 (2010: HK$2,086,000) at 31 March 2011 were past due at 31 March 2011 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.

(b) The movements in the allowance for doubtful debts during the year are as follows:

The below table reconciled the impairment loss of trade receivables for the year:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**251**	19
Impairment loss recognised	**—**	232
Recovery of impairment loss previously recognised	**(232)**	—
At 31 March	**19**	251

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$19,000 (2010: HK$232,000) which related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

10. LOANS RECEIVABLE

	Group	
	2011	2010
	HK$'000	*HK$'000*
Facilities (note)	**2,700**	2,700
Interest receivables	**163**	1
	2,863	2,701

As 31 March 2011, the effective interest rate ranged from 1.5% to 2% monthly.

Note:

All the loan facilities were lent to an individual third party with a monthly interest rate charged from 1.5% to 2% and the loans were secured in favour to Winland Mortgage Limited, a wholly owned subsidiary of the Company by immovable properties in Hong Kong.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year 31 March 2011 (2010: Nil)

BUSINESS REVIEW

Results

The Group's profit and total comprehensive income for the year was presented as follows:

	Year ended 31/3/2011 *HK$'000*	Year ended 31/3/2010 *HK$'000*
Hotel business and other operation	**3,352**	(3,998)
Money lending business	**(121)**	5,557
Profit and total comprehensive income for the year	**3,231**	1,559

Turnover of the Group for the year ended 31 March 2011 amounted to approximately HK$80 million which solely comprised the turnover generated from the hotel operation, representing a increase of 21% when compared with the turnover of approximately HK$66.1 million generated for last year.

The Group recorded a profit attributable to owners of the Company of approximately HK$3.2 million for the year ended 31 March 2011, representing an increase of 55% when compared with the profit attributable to owners of the Company of approximately HK$1.7 million for the year ended 31 March 2010.

The increase of profit and total comprehensive income in this year was mainly attributable to the increase of turnover generated from the hotel operation.

Turnover generated from hotel operations for recent years

The turnover generated from hotel operations for recent years was presented as follows:

	Year ended 31/3/2011 *HK$'000*	Year ended 31/3/2010 *HK$'000*	Year ended 31/3/2009 *HK$'000*
Hotel room sales	**74,028**	60,698	70,306
Food and beverage income	**5,289**	4,822	4,916
Miscellaneous sales	**675**	561	546
Turnover	**79,992**	66,081	75,768

Turnover generated from hotel room sales and food and beverage was increasing when comparing the amount between year ended 31 March 2011 and 31 March 2010.

Review of Operation

Hotel business

The Group operates the Mexan Harbour Hotel, a 800-room hotel in Tsing Yi, maintained an average occupancy rate of approximately 96% for the year under review, compared to an average occupancy rate of approximately 85% for last year. The increase in turnover in current year was mainly due to the economic recovery and the rising number of in bound tours and visitors.

Others

Approximately HK$0.6 million of other income generated for the year ended 31 March 2011 which represented the loan interest income generated from money lending business. The loan interest income was substantially generated from a loan to a third party amounted to HK$2,700,000.

Prospects

As benefited from a recovering economic environment, it is expected that the operating performance of the hotel business in the Group for the coming year will continue to grow when compared to this year.

Liquidity and Financial Information

During the year, cash flow of the Group was mainly generated from the hotel operations and money lending business. As at 31 March 2011, the Group's total borrowings amounted to approximately HK$355 million compared with approximately HK$379 million as at 31 March 2010. The decrease of the Group's total borrowings was due to the partial repayment of the loan.

As at 31 March 2011, cash and bank balances amounted to approximately HK$12 million compared with cash and bank balances of approximately HK$6 million last year. The Group's net assets as at 31 March 2011 amount to approximately HK$234 million compared with approximately HK$230 million last year.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 152% as at 31 March 2011 compared to approximately 165% as at 31 March 2010. Net gearing ratio of the Group which is expressed as a percentage of net borrowings (total borrowings less cash and bank balance) to total equity was approximately 147% compared with approximately 162% last year.

Of the Group's total bank loans as at 31 March 2011, approximately HK$175 million would be due within one year and approximately HK$180 million would be due for repayment after one year which is subject to a repayable on demand clause. The total borrowings were denominated in HKD and bear a variable interest rate.

The above bank loans 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 2011 was approximately HK$233 million compared with approximately HK$230 million last year. Total equity attributable to equity holders of the Company as at 31 March 2011 was approximately HK$234 million compared with approximately HK$231 million last year. The increase was resulted from the profit generated for the year under review.

Employee Information and Emolument Policy

As at 31 March 2011, the total number of employees of Group was 129 (2010: 132). 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 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"), and 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.

(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$565,801,000 (2010: HK$580,584,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$355,141,000 (2010: HK$379,302,000) as at 31 March 2011. The Directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

    The fair values of these financial guarantee contracts are not significant. The Company has not recognised any deferred income in respect of the guarantees as the fair values cannot be reliably measured and its transaction price was Nil.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set in Appendix 14 of the Listing Rules for the year under review, except for the deviation from code provision A.4.2 of the CG Code as follows:

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. The Chairman and Managing Director of the Company voluntary retired for compliance with the requirement of the code provision A.4.2 and were re-elected at the annual general meeting held on 27 August 2010 as they held office as Directors for three years since their last re-election.

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 to 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.

AUDIT COMMITTEE

The Audit Committee was established in March 1999 with specific written terms of reference in compliance with the Listing Rules 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 Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2011.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11:00 a.m. on Monday, 22 August 2011 at Function Rooms I & II, Rambler Club, Level 6, Rambler Crest, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong and the Notice of the Annual General Meeting will be published and dispatched to shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.mexanhk.com under "Announcement". The annual report for the year ended 31 March 2011 will be dispatched to the shareholders and published on the above websites in due course.

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.

By Order of the Board
MEXAN LIMITED
Lun Chi Yim
Chairman

Hong Kong, 23 June 2011

As at the date of this announcement, the Executive Directors are Mr. Lun Chi Yim (Chairman), Mr. Lun Yiu Kay Edwin (Managing Director) 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.