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 2012

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 2012, together with comparative figures for the corresponding year 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2012

	Note	**2012** ***HK$'000***	2011 *HK$'000*
Turnover	*4*	**96,964**	79,992
Direct costs		**(26,667)**	(26,304)
Gross profit		**70,297**	53,688
Other revenue	*4*	**413**	599
Administrative and other operating expenses		**(26,915)**	(25,318)
Depreciation and amortisation		**(18,722)**	(18,754)
Finance costs	*5*	**(3,990)**	(3,376)
Profit before income tax	*6*	**21,083**	6,839
Income tax expense	*7*	**(4,366)**	(3,762)
Profit and total comprehensive income for the year		**16,717**	3,077
Profit and total comprehensive income attributable to:			
Owners of the Company		**16,873**	3,231
Non-controlling interests		**(156)**	(154)
		16,717	3,077
Basic earnings per share (HK cents)	8	**1.29**	0.25
Diluted earnings per share (HK cents)		**N/A**	N/A

* *For identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	31/3/2012 HK$'000	31/3/2011 HK$'000 (Restated)	1/4/2010 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**562,107**	579,264	596,489
Intangible assets		**5,347**	6,514	7,681
Investment property		**10,641**	10,943	11,245
Club debentures		**1,350**	1,350	1,350
		579,445	598,071	616,765
Current assets				
Inventories		**276**	194	226
Trade and other receivables, deposits and prepayments	9	**4,906**	6,225	10,675
Loans receivable		**—**	2,863	2,701
Tax recoverable		**—**	403	1,577
Bank balances		**32,616**	12,464	6,202
		37,798	22,149	21,381
Current liabilities				
Other payables, deposits received and accrued charges		**24,023**	16,530	16,866
Amounts due to directors		**87**	384	—
Amount due to a non-controlling shareholder of a subsidiary		**6,414**	6,414	6,414
Dividend payable		**422**	1,515	1,515
Bank loans		**323,273**	355,141	379,302
Tax payable		**5,670**	—	—
		359,889	379,984	404,097
Net current liabilities		**(322,091)**	(357,835)	(382,716)
Total assets less current liabilities		**257,354**	240,236	234,049
Non-current liabilities				
Deferred tax liabilities		**6,011**	6,703	3,593
Net assets		**251,343**	233,533	230,456
EQUITY				
Share capital		**26,218**	26,218	26,218
Reserves		**226,362**	208,396	205,165
Equity attributable to owners of the Company		**252,580**	234,614	231,383
Non-controlling interests		**(1,237)**	(1,081)	(927)
TOTAL EQUITY		**251,343**	233,533	230,456

Notes:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2011

The Group has adopted the following new/revised HKFRSs which relevant to the Group's consolidated financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

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 (Amendments) — Business Combination

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's related party disclosures, reported profit or loss, total comprehensive income or equity in the current or prior periods.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) Issued new/revised HKFRSs that are potentially relevant to the Group 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.

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[5]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the 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.

Amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

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.

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 recognised 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.

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.

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.

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 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$322,091,000 and HK$2,039,000 respectively as at 31 March 2012.

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$143,000,000 for which the Group is able to continue using under the banking facilities granted by the bank. Moreover as at 31 March 2012, the Group has total banking facilities of HK$532,272,000 of which about HK$209,000,000 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$163,197,000 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 2012 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.

(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.

(d) Prior year adjustment

In previous years, a land held by the Group under medium term lease in Hong Kong was classified as prepaid lease payment. The Group has reassessed the classification of this leasehold land interests and has recognised its leasehold land interests as finance lease retrospectively. As the leasehold land is currently held for an undetermined future use, it should be classified as investment property.

Effects on this reclassification on the consolidated statement of financial position are as follows:

	31/3/2012 ***HK$'000***	31/3/2011 *HK$'000*	1/4/2010 *HK$'000*
Increase/(decrease) in			
Non-current assets			
Investment property	**10,641**	10,943	11,245
Prepaid lease payment	**(10,339)**	(10,641)	(10,943)
	302	302	302
Current assets			
Prepaid lease payment	**(302)**	(302)	(302)

There is no impact on the consolidated statement of comprehensive income and changes in equity.

3. SEGMENT REPORTING

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

(a) Geographical information

During 2012 and 2011, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue are derived.

(b) Information about a major customer

The Group's customer base is diversified and there are three customers (2011: one) with whom transactions have exceeded 10% of the Group's revenue during the year. In 2012, revenue from three customers amounted to approximately HK$29,978,000 (2011: revenue from one customer amounted to approximately HK$17,815,000).

4. TURNOVER AND OTHER REVENUE

Turnover which is also 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:

	2012	2011
	HK$'000	*HK$'000*
Turnover		
Hotel operations		
— Hotel room sales	**91,528**	74,028
— Food and beverage income	**5,058**	5,289
— Miscellaneous sales	**378**	675
	96,964	79,992
Other revenue		
Loan interest income	**409**	596
Bank interest income	**4**	3
	413	599
	97,377	80,591

5. FINANCE COSTS

Finance costs comprise the following:

	2012 *HK$'000*	2011 *HK$'000*
Interest on bank loans		
— wholly repayable within five years	**2,279**	1,437
— not wholly repayable within five years	**1,682**	1,914
Total borrowing costs incurred	**3,961**	3,351
Bank charges	**29**	25
	3,990	3,376

6. PROFIT BEFORE INCOME TAX

	2012 *HK$'000*	2011 *HK$'000*
Profit before income tax is arrived at after charging/(crediting) the following:		
Cost of services provided	**26,667**	26,304
Auditor's remuneration	**460**	440
Depreciation of property, plant and equipment	**17,253**	17,285
Depreciation of investment property	**302**	302
Amortisation of intangible assets	**1,167**	1,167
Loss on disposal of property, plant and equipment	**1**	1
Reversal of doubtful debt	**—**	(232)
Staff costs (including directors' emoluments)		
— Salaries and allowances	**29,951**	27,210
— Retirement benefit cost	**911**	928

7. INCOME TAX EXPENSE

(a) Hong Kong profits tax is provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

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

	2012 *HK$'000*	2011 *HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**5,082**	652
Over-provision in prior year	**(24)**	—
	5,058	652
Deferred taxation		
Origination and reversal of temporary differences, net	**(692)**	3,110
Income tax expense	**4,366**	3,762

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

	2012	2011
	HK$'000	*HK$'000*
Profit before income tax	**21,083**	6,839
Tax at applicable tax rate of 16.5% (2011: 16.5%)	**3,478**	1,128
Tax effect of expenses not deductible for tax purposes	**263**	1,795
Over-provision in prior year	**(24)**	—
Utilisation of tax losses previously not recognised	**(20)**	—
Unrecognised tax losses	**669**	839
Income tax expense	**4,366**	3,762

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:

	2012	2011
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**16,873**	3,231
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	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**4,041**	5,249
Less: allowance for doubtful debts *(note (b))*	**(19)**	(19)
	4,022	5,230
Other receivables	**—**	80
Deposits and prepayments	**884**	915
	4,906	6,225

(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:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**3,724**	4,786
31 — 60 days	**2**	156
61 — 90 days	**9**	261
Over 90 days	**287**	27
	4,022	5,230

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

At 31 March 2012, trade receivables of HK$3,724,000 (2011: HK$4,786,000) 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$298,000 (2011: HK$444,000) at 31 March 2012 were past due at 31 March 2012 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	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**19**	251
Recovery of impairment loss previously recognised	**—**	(232)
At 31 March	**19**	19

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$19,000 (2011: HK$19,000) which related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year 31 March 2012 (2011: Nil).

BUSINESS REVIEW

Results

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

	Year ended 31/3/2012 *HK$'000*	Year ended 31/3/2011 *HK$'000*
Hotel business and other operation	**16,446**	3,198
Money lending business	**271**	(121)
Profit and total comprehensive income for the year	**16,717**	3,077

Turnover of the Group for the year ended 31 March 2012 amounted to approximately HK$97 million which solely comprised the turnover generated from the hotel operation, representing a increase of 21% when compared with the turnover of approximately HK$80 million generated for last year.

The Group recorded a profit attributable to owners of the Company of approximately HK$16.9 million for the year ended 31 March 2012, representing an increase of 422% when compared with the profit attributable to owners of the Company of approximately HK$3.2 million for the year ended 31 March 2011.

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

Turnover generated from hotel room sales and food and beverage was increasing when comparing the amount between year ended 31 March 2012 and 31 March 2011.

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 98% for the year under review, compared to an average occupancy rate of approximately 96% 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.

Others

Approximately HK$0.4 million of other income generated for the year ended 31 March 2012 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. During the year, all the loan and interest were fully settled.

Prospects

As benefited from the economic environment, it is expected that to maintain sound economic growth for the coming year and the business will continue to grow when compared to this year.

Liquidity and Financial Information

During the year under review, cash flow of the Group was mainly generated from the hotel operations and money lending business. As at 31 March 2012, the Group's total borrowings amounted to approximately HK$323 million compared with approximately HK$355 million as at 31 March 2011. The decrease of the Group's total borrowings was due to the repayment of significant amount of the loan.

As at 31 March 2012, cash and bank balances amounted to approximately HK$33 million compared with cash and bank balances of approximately HK$12 million last year. The Group's net assets as at 31 March 2012 amount to approximately HK$251 compared with approximately HK$234 million last year.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 129% as at 31 March 2012 compared to approximately 152% as at 31 March 2011. 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 116% compared with approximately 147% last year.

Of the Group's total borrowings as at 31 March 2012, approximately HK$160 million would be due within one year and approximately HK$163 million would be due for repayment after one year which contain a repayable on demand clause. The total borrowings were denominated in HKD 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.

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 2012 was approximately HK$251 million compared with approximately HK$234 last year. Total equity attributable to owners of the Company as at 31 March 2012 was approximately HK$253 million compared with approximately HK$235 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 2012, the total number of employees of Group was 116 (2011: 129). 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) In 2008, the Company's wholly owned subsidiary, Winland Mortgage Limited ("Winland Mortgage") granted a borrower (the "Borrower") a HK$104 million loan facility ("Loan Facility") which was secured by a property of the Borrower (the "Property").

Due to default on repayment of the loan, on 10 July 2009, Winland Mortgage, the Borrower and other relevant parties entered into a deed of settlement ("Settlement Deed") in relation to various matters on sale and purchase of the Property for loan settlement. On 17 December 2009, the sale and purchase of the Property was completed and Winland Mortgage received the loan principal amount and part of loan interests.

On 16 January 2010, the Borrower commenced a legal action against the Company, Winland Mortgage and a director of the Company for breach of the Settlement Deed.

The court opined that the Settlement Dead 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.

(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$532,273,000 (2011: HK$549,141,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$323,272,000 (2011: HK$355,141,000) as at 31 March 2012. 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 values cannot be reliably measured and its transaction price was nil. The Company had not recognised any provision in the financial statements as at 31 March 2012 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.

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 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 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 as 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.

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") in Appendix 10 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 2012.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11:00 a.m. on Monday, 20 August 2012 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 2012 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, 26 June 2012

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