



**MEXAN LIMITED**

**茂盛控股有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code : 22

# ANNUAL REPORT 2015



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

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

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

Shareholders may send their request to receive the annual report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Tricor Tengis Limited at 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](mailto:is-ecom@hk.tricorglobal.com).

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Executive Directors:**

Lun Yiu Kay Edwin (*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

## AUDITOR

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM11

Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Mexan Harbour Hotel

Hotel 2, Rambler Crest

No. 1 Tsing Yi Road

Tsing Yi

New Territories

Hong Kong

## PRINCIPAL REGISTRARS

MUFG Fund Services (Bermuda)

Limited

26 Burnaby Street

Hamilton

HM 11

Bermuda

## BRANCH REGISTRARS IN HONG KONG

Tricor Tengis Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

## WEBSITE

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

## STOCK CODE

22

# CHAIRMAN'S STATEMENT

I present the results and operations of MEXAN LIMITED (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2015.

## RESULTS

The Group operates the Mexan Harbour Hotel. In 2014, the economy of Mainland China stayed in growth territory but at a lower rate, resulting the average room rate reduced from April to December 2014. The Group closely monitors the business environment and adapts quickly to overcome challenges we encountered.

### Turnover generated from hotel operations for recent years

	2015	2014	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hotel room sales	132,211	163,465	143,660	91,528
Food and beverage income	5,253	5,199	5,376	5,058
Miscellaneous sales	366	396	398	378
Turnover	137,830	169,060	149,434	96,964

## PROSPECTS

Looking forward, given the uncertainties in global financial markets, the potential of increasing interest rate in the United States commencing in the second half of 2015, slowing economic growth in Mainland China, the operating environment for the hotel market will be quite challenging this year. With our experienced management team, we are confident that we can tackle these challenges. Our core businesses will continue to generate recurrent and stable income. The Group is financially healthy and will deliver satisfactory growth and sustainable returns to our shareholders.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our sincere appreciation to our shareholders, professional advisers, bankers and customers for their continuous support and trust. I would also like to thank the management and staff for their dedication and commitment.

**Lun Yiu Kay Edwin**

Chairman

Hong Kong, 26 June 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATION

### Hotel business

The Group operates the Mexan Harbour Hotel. In 2014, the economy of Mainland China stayed in growth territory but at a lower rate, resulting the average room rate reduced from April to December 2014. The Group closely monitors the business environment and adapts quickly to overcome challenges we encountered.

## LIQUIDITY AND FINANCIAL INFORMATION

During the year under review, cash flow of the Group was mainly generated from the hotel operations. As at 31 March 2015, the Group's total borrowings amounted to approximately HK\$121 million compared with approximately HK\$151 million as at 31 March 2014. The decrease of the Group's total borrowings was due to the repayment of significant amount of loan.

As at 31 March 2015, cash and bank balances amounted to approximately HK\$24 million compared with cash and bank balances of approximately HK\$20 million last year. The Group's net assets as at 31 March 2015 amounted to approximately HK\$386 million compared with approximately HK\$350 million last year.

Gearing ratio of the Group which expressed as a percentage of total borrowings to total equity was approximately 31% as at 31 March 2015 compared to approximately 43% as at 31 March 2014. 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 25% compared with approximately 38% last year.

Of the Group's total borrowings as at 31 March 2015, approximately HK\$17 million would be due within one year and approximately HK\$105 million would be due repayment after one year which contain repayable on demand clause. The 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.

## TREASURY POLICIES

The Group generally financed its operations with internally generated resources and credit facilities. Bank deposits are denominated in HK\$.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EQUITY

Total equity of the Group as at 31 March 2015 was approximately HK\$386 million compared with approximately HK\$350 million last year. Total equity attributable to owners of the Company as at 31 March 2015 was approximately HK\$388 million compared with approximately HK\$352 million last year. The increase was resulted from the profit generated for the year.

## EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 March 2015, the total number of employees of Group was 125 (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 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

At the end of the reporting period, the Company provided a financial guarantee to a bank for the banking facilities of an aggregate amount of HK\$473,495,000 (2014: HK\$498,097,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK\$121,495,000 (2014: HK\$151,097,000) as at 31 March 2015. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The Company had not recognised any deferred income in respect of the guarantees as the fair value is insignificant and its transaction price was nil. The Company had not recognised any provision in the Company's financial statements as at 31 March 2015 as the directors considered that the probability for the holder of the guarantees to call upon the Company as a result of default in repayment is remote.

# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors (the “Board”) of MEXAN LIMITED (the “Company”) is committed to maintain a high standard of corporate governance. The Board believes that a good, solid and sensible framework of corporate governance will enhance the Company and its subsidiaries (the “Group”) to run its business in the best interest of its shareholders as a whole.

In the opinion of the directors of the Company (“Directors” or individually, the “Director”), the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year under review, except for the followings:

- (a) Under code provision A.2.1 of the Code, the roles of chairman and managing director should be separate and should not be performed by the same individual. Mr. Lun Yiu Kay Edwin is both the Chairman of the Board and Managing Director of the Company. The Board considers that although such structure deviates from A.2.1 of the Code, the effective operation of the Group will not be impaired since Mr. Lun Yiu Kay Edwin has exercised sufficient delegation in the daily operation of the Group’s business as Managing Director while being responsible for the effective operation of the Board as Chairman of the Board. The Board and senior management have benefited from the leadership and experience of Mr. Lun Yiu Kay Edwin.
- (b) Under the code provision A.2.7 of the CG Code provides that the chairman should at least annually hold meetings with the independent non-executive directors without the executive directors present. Although the chairman did not hold a meeting with the independent non-executive Directors during the year ended 31 March 2015, he delegated the company secretary to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.
- (c) Under the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in accordance with the Bye-laws, the Chairman and Managing Director are not subject to retirement by rotation or taken into account on determining the number of Directors to retire. This constitutes a deviation from code provision of A.4.2 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of the Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders of the Company as a whole.

# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES – CONTINUED

- (d) 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.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## BOARD OF DIRECTORS

The Directors during the year ended 31 March 2015 and up to the date of this report were:

### Executive Directors

Lun Yiu Kay Edwin (Appointed as Chairman since 1 December 2014)  
Lun Chi Yim (Deceased on 30 October 2014)  
Suen Chui Fan  
Ng Tze Ho Joseph

### Independent Non-Executive Directors

Tse Kwing Chuen  
Ng Hung Sui Kenneth  
Lam Yiu Pang Albert

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS – CONTINUED

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

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

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

The Board meets at least four times each year to discuss the Group’s business development, operation and financial performance. Notice of at least 14 days is given to all Directors for all regular Board meetings to give all Directors an opportunity to attend. All regular Board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All Directors have access to board papers and related materials, and are provided with adequate information that enables the Board to make an informed decision on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director. To the best knowledge of the Directors, save as Mr. Lun Yiu Kay Edwin, the Chairman of the Board, is the son of the Director; Ms. Suen Chui Fan, there is no financial, business and family relationship among the members of the Board.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS – CONTINUED

For the year ended 31 March 2015, other than resolutions passed by means of resolutions in writing of Directors, the Board held five meetings. The following table shows the attendance records of individual Director at the meetings of the Board held for the year ended 31 March 2015:

### Directors' Attendance

	<b>Number of Board Meetings held during the Director's term of office during the year ended 31 March 2015</b>	<b>Number of meeting(s) attended</b>
<b>Executive Directors</b>		
Mr. Lun Yiu Kay Edwin (Chairman)	5	5
Dr. Lun Chi Yim (Deceased on 30 October 2014)	1	1
Ms. Suen Chui Fan	5	3
Mr. Ng Tze Ho Joseph	5	5
<b>Independent Non-Executive Directors</b>		
Dr. Tse Kwing Chuen	5	5
Mr. Ng Hung Sui Kenneth	5	5
Mr. Lam Yiu Pang Albert	5	5

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The term of office of each present independent non-executive director is for a period of 1 year from 19 April 2015 to 18 April 2016, subject to retirement by rotation in accordance with the Bye-laws of the Company.

# CORPORATE GOVERNANCE REPORT

## EXECUTIVE COMMITTEE

The Executive Committee was established with specific written terms of reference. The functions of the Executive Committee include dealing with all financial, commercial, business, legal, management and administration issues of the Company. The Executive Committee comprises of three executive directors, Mr. Lun Yiu Kay Edwin, Ms. Suen Chui Fan and Mr. Ng Tze Ho Joseph. Mr. Lun Yiu Kay Edwin is the chairman of the Executive Committee.

During the year, two Executive Committee meetings were held and the individual attendance of each member is set out below:

<b>Name of Members</b>	<b>Number of Executive Committee meetings held during member's term of office during the year ended 31 March 2015</b>	<b>Number of meeting(s) attended</b>
Mr. Lun Yiu Kay Edwin (Chairman)	2	2
Dr. Lun Chi Yim (Deceased on 30 October 2014)	1	1
Ms. Suen Chui Fan	0	0
Mr. Ng Tze Ho Joseph	2	2

## REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference. In line with its terms of reference approved by the Board, the role and function of the Remuneration Committee is to review, discuss and approve the remuneration mechanism of the Directors and senior management of the Company and to establish and maintain a reasonable and competitive remuneration level in order to attract and retain the Directors and senior management. The Remuneration Committee comprises of four members, including the Chairman, Mr. Lun Yiu Kay Edwin and three Independent Non-Executive Directors, Mr. Ng Hung Sui Kenneth, Dr. Tse Kwing Chuen and Mr. Lam Yiu Pang Albert.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE – CONTINUED

The major roles and functions of the Remuneration Committee are:

- (a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Company and its subsidiaries and the desirability of performance-based remuneration. The Remuneration Committee shall also ensure that the levels of remuneration should be sufficient to attract and retain the directors needed to run the Company successfully but should avoid paying more than is necessary for this purpose;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (e) to ensure that no director or any of his associates is involved in deciding his own remuneration; and
- (f) to advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval in accordance with the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE – CONTINUED

During the year, two Remuneration Committee meetings were held and the individual attendance of each member is set out below:

<b>Name of Members</b>	<b>Number of Remuneration Committee meeting held during the member's term of office during year ended 31 March 2015</b>	<b>Number of meetings attended</b>
Mr. Lam Yiu Pang Albert (Chairman)	2	2
Mr. Lun Yiu Kay Edwin	2	2
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

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

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

## AUDIT COMMITTEE

The Audit Committee was established in March 1999 with specific written terms of reference and comprised of three members, all of them are Independent Non-Executive Directors. The Audit Committee comprises of three members, including Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. The chairman of the Audit Committee is Mr. Lam Yiu Pang Albert. 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.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE – CONTINUED

The major roles and functions of the Audit Committee are:

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policies regarding the engagement of an external auditor to supply non-audit services. For this purpose, an external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (d) to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE – CONTINUED

- (e) in relation to paragraph (d) above: (i) members of the committee must liaise with the Company's board of directors and senior management and the committee must meet, at least once a year, with the Company's auditors; and (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules);
- (n) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE – CONTINUED

- (o) to act as the key representative body for overseeing the Company's relationship with the external auditor;
- (p) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and
- (q) to consider such other matters as the Board may from time to time determine.

During the year, two Audit Committee meetings were held, one of which was attended by the external auditor, BDO Limited. The individual attendance of each member is set out below:

<b>Name of Members</b>	<b>Number of Audit Committee meetings held during the member's term of office during the year ended 31 March 2015</b>	<b>Number of meetings attended</b>
Mr. Lam Yiu Pang Albert (Chairman)	2	2
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

Summary of work done for the year ended 31 March 2015:

- review of final results and draft audited financial statements for the year ended 31 March 2015;
- review of interim results and draft unaudited financial statements for the six months ended 30 September 2014; and
- consider and approve of the re-appointment of auditors.

The Audit Committee and BDO Limited have also reviewed with management the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2015.

To comply with the code provision C.3.4 of the CG Code, the terms of reference of the Audit Committee are included on the Company's website and also available on request.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

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

The major roles and functions of the Nomination Committee are:

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

During the year, two Nomination Committee meetings were held and the individual attendance of each member is set out below:

<b>Name of Members</b>	<b>Number of Nomination Committee meetings held during the member's term of office during the year ended 31 March 2015</b>	<b>Number of meetings attended</b>
Mr. Lun Yiu Kay Edwin (Chairman)	2	2
Dr. Lun Chi Yim (Decreased on 30 October 2014)	1	1
Mr. Lam Yiu Pang Albert	2	2
Dr. Tse Kwing Chuen	2	2

# CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

BDO Limited is the auditor of the Company. During the year ended 31 March 2015, the fees charged to the financial statements of the Company and its subsidiaries for statutory audit amounted to HK\$530,000.

## DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant period. In preparing the financial statements for the year ended 31 March 2015, the Directors ensured that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for the timely publication of the financial statements of the Group.

The statement of the auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" section of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## CORPORATE COMMUNICATION

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

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

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

# CORPORATE GOVERNANCE REPORT

## CORPORATE COMMUNICATION – CONTINUED

The Company's notices to Shareholders for the annual general meeting ("AGM") held in 2014 were sent to Shareholders at least 20 clear business days or 21 clear days before the meetings, whichever is the longest.

The chairman of the Board and Nomination Committee and the representative of external auditor were available at the AGM held on 15th September 2014 to answer questions from the Shareholders. The chairman of the AGM had explained the procedures for conducting a poll during the meeting. All resolutions proposed at the AGM were voted separately by way of poll. All the votes cast at the said meeting were properly counted and recorded.

## CONSTITUTIONAL DOCUMENTS

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

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

## INTERNAL CONTROLS

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

The audit committee and the Board also considered the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget under the internal control review.

## COMPANY SECRETARY

Mr. Au Chung Shing was appointed as the Financial Controller and Company Secretary of the Company. He is also an Authorised Representative of the Company. According to rule 3.29 of the Listing Rules, Mr. Au Chung Shing takes no less than 15 hours of relevant professional training for the year ended 31 March 2015.

# **DIRECTORS' REPORT**

The directors (“Directors” or individually, the “Director”) of MEXAN LIMITED (the “Company”) submit their report together with the audited financial statements for the year ended 31 March 2015.

## **PRINCIPAL ACTIVITY**

The principal activity of the Company is investment holding. During the year, the principal activity of its subsidiaries is hotel operation. Further details of subsidiaries during the year ended 31 March 2015 are set out in note 31 to the financial statements.

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

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

The state of affairs of the Group and the Company as at 31 March 2015 are set out in the statement of financial position on pages 32 to 34.

The cash flows of the Group are set out in the consolidated statement of cash flows on page 36.

As at 31 March 2015, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$43,226,000 (2014: \$46,575,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2015 (2014: Nil).

## **SHARE CAPITAL**

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

# **DIRECTORS' REPORT**

## **RESERVES**

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 35 and in note 24 to the financial statements respectively.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 83.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in hotel property and other property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

## **PRINCIPAL PROPERTY**

Particulars of the Group's hotel property are set out on page 84.

## **BANK LOANS**

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

## **PRE-EMPTIVE RIGHTS**

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

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

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

# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for 34% and 89% respectively of the turnover of the Group for the year.

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

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

## DIRECTORS

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

### *Executive Directors:*

Lun Yiu Kay Edwin (Chairman)  
Lun Chi Yim (Deceased on 30 October 2014)  
Suen Chui Fan  
Ng Tze Ho Joseph

### *Independent Non-Executive Directors:*

Tse Kwing Chuen  
Ng Hung Sui Kenneth  
Lam Yiu Pang Albert

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Tse Kwing Chuen shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

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

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors of the Company as at the date of this report are set out below:

### *Executive Directors*

**Mr. Lun Yiu Kay Edwin**, aged 45, has been a Director and the Managing Director of the Company since April 2007 and has been a Chairman of the Company since December 2014. Mr. Lun holds a Bachelor's Degree in Science (Land Management) from the University of Reading, United Kingdom. He has over 17 years' experience in property investment, finance and management. He is also experienced in hotel management and in the tourism industry. Mr. Lun joined the Winland Group in 1994 and is currently a director of various companies in the Winland Group.

Mr. Lun is also the member of the executive committee, nomination committee and remuneration committee of the Board, a director of all the subsidiaries of the Company, and he is the son of Ms. Suen Chui Fan, an executive director of the Company.

**Ms. Suen Chui Fan**, aged 73, joined Fook Shing Estate Group Limited in 1969, has over 40 years' experience in property investment and development, leasing and management. Ms. Suen joined the Winland Group in 2004 and is currently a director of several companies of the Winland Group. Ms. Suen Chui Fan is the mother of the Chairman, Mr. Lun Yiu Kay Edwin and she is deemed to be interested in our Company's former chairman Dr. Lun Chi Yim's shares which represented 723,148,037 shares of the Company as held by Winland Wealth (BVI) Limited. Winland Wealth (BVI) Limited was wholly owned by Winland Stock (BVI) Limited, a company wholly-owned by Dr. Lun Chi Yim.

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

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – CONTINUED

**Mr. Ng Tze Ho Joseph**, aged 43, has been a Director since April 2007. Mr. Ng holds a Bachelor's Degree in Science (Quantity Surveying) from the University of Reading, United Kingdom. He has over 19 years' experience in property investment and development, leasing and management. Mr. Ng joined the Winland Group in 1997 and is currently a director of several companies in the Winland Group.

### *Independent Non-Executive Directors*

**Dr. Tse Kwing Chuen**, aged 64, has been a Director since April 2007. He is also a member of the audit committee and nomination committee of the Board. Dr. Tse obtained a Master's Degree in Economics from the Zhongshan University, the PRC and a Doctorate's Degree of Philosophy in Business Administration from the Bulacan State University, the Republic of the Philippines. Dr. Tse is a director of Zhong Da Technology Limited, a company incorporated in Hong Kong and is experienced in management of business enterprises. He is the Deputy President of China Universities Alumni (H.K.) Association and visiting Professor in Sun Yat-sen University in the PRC, and Tianjin Normal University in the PRC.

**Mr. Ng Hung Sui Kenneth**, aged 48, has been a Director since April 2007. He is also a member of the audit committee and remuneration committee of the Board. Mr. Ng obtained a Bachelor's Degree in Laws from the University of Hong Kong and is a solicitor practising in Hong Kong since 1992. He was also admitted as a solicitor in England and Wales in 1993 and as a legal practitioner in Tasmania, Australia in 1994. He is a partner of Ng, Au Yeung & Partners Solicitors & Notaries and is a Notary Public of Hong Kong. He is a member both of the Standing Committee on External Affairs and the Criminal Law & Procedure Committee of the Law Society of Hong Kong.

Mr. Ng currently also serves as an independent non-executive director of Samson Paper Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

**Mr. Lam Yiu Pang Albert**, aged 68, has been a Director since April 2007. He is also the Chairman of the audit committee and the remuneration committee and a member of nomination committee of the Board. Mr. Lam obtained a Bachelor's Degree in Economics from the University of Tasmania, Australia. He is an associate member of The Institute of Chartered Accountants in Australia, and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 March 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

### (i) Long positions in shares of the Company

Name of Director	No. of shares of HK\$0.02 each held	Capacity/ nature of interest	Approximate shareholding percentage (%)
Suen Chui Fan	723,148,037	Interest of controlled corporation/ Corporate 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 the former director, Dr. Lun Chi Yim, the spouse of Suen Chui Fan. Accordingly, both Winland Stock (BVI) Limited and s. Suen Chui Fan are deemed to be interested in the said 723,148,037 shares under the SFO.

# DIRECTORS' REPORT

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

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

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

Save as disclosed above, as at 31 March 2015, none of the Directors or chief executive of the Company or any of their respective associates had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which are required to be recorded under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the year was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, the following Directors were considered to have interests in the following businesses ("Competing Business") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as defined in the Listing Rules as set out below:

<b>Name of Director</b>	<b>Name of entity of the Competing Business</b>	<b>Description of the Competing Business</b>	<b>Nature of interest of the Director in the entity</b>
Lun Yiu Kay Edwin	Winland Hotel Management Limited (Note)	Hotel management	As director
	Winland Finance Limited	Money lending	As director
Suen Chui Fan	Winland Hotel Management Limited (Note)	Hotel management	As director
	Winland Finance Limited	Money lending	As director

Note:

Winland Hotel Management Limited has no hotel management business at present.

The Director interested in the above businesses will, as and when required under the Company's Bye-laws, abstain from voting on any resolution of the Board in respect of any arrangement or proposal in which he or any of his associates has a material interest.

The Directors are of the view that the Group is capable of carrying on its business independently from the Competing Business. When making decisions on the business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

# DIRECTORS' REPORT

## CORPORATIONS AND PERSONS WHO HAD INTERESTS OR A SHORT POSITION WHICH WAS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31 March 2015, the following corporations and persons, other than the Directors whose interests are disclosed above, who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Long/short position	No. of shares of HK\$0.10 each held	Capacity/ nature of interest	Approximate shareholding percentage (%)
Winland Wealth (BVI) Limited (Note i)	Long	723,148,037 (Note i)	Beneficial owner/ Beneficial interest	55.16
Suen Chui Fan (Note ii)	Long	723,148,037 (Note ii)	Interest of spouse/ Family interest	55.16
Winland Stock (BVI) Limited (Note iii)	Long	723,148,037 (Note iii)	Interest of controlled corporation/ Corporate interest	55.16

Notes:

- i. The former director, Dr. Lun Chi Yim 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 Dr. Lun Chi Yim.
- ii. Ms. Suen Chui Fan, the spouse of the former director, Dr. Lun Chi Yim, is deemed to be interested in Dr. Lun Chi Yim's shares which represented the same parcel of shares of the Company as held by Winland Wealth (BVI) Limited.
- iii. 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.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

# **DIRECTORS' REPORT**

## **REVIEW BY AUDIT COMMITTEE**

At the date of this report, the Audit Committee of the Company comprises three Independent Non-Executive Directors namely, Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. The Audit Committee has reviewed with the Group's auditors, BDO Limited, the audited financial statements for the year ended 31 March 2015 and has also discussed auditing, internal control and financial reporting matters of the Group.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **AUDITOR**

The financial statements have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board  
MEXAN LIMITED

**Lun Yiu Kay Edwin**  
Chairman

Hong Kong, 26 June 2015

# INDEPENDENT AUDITOR'S REPORT



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## **TO THE SHAREHOLDERS OF MEXAN LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Mexan Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 31 to 82, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITY – CONTINUED

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

Certified Public Accountants

### **Ng Wai Man**

Practising Certificate Number: P05309

Hong Kong, 26 June 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Turnover	7	137,830	169,060
Direct costs		(26,370)	(25,188)
Gross profit		111,460	143,872
Other income	7	672	2,836
Administrative and other operating expenses		(45,810)	(57,296)
Depreciation and amortisation		(19,055)	(18,926)
Finance costs	8	(1,312)	(2,326)
Profit before income tax	9	45,955	68,160
Income tax expense	10	(10,064)	(13,222)
Profit and total comprehensive income for the year		35,891	54,938
Profit and total comprehensive income attributable to:			
Owners of the Company		36,047	55,093
Non-controlling interests		(156)	(155)
		35,891	54,938
Earnings per share			
– basic and diluted (HK cents)	13	2.75	4.20

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	512,025	528,915
Intangible assets	16	1,846	3,013
Investment property	17	9,735	10,037
Club membership	19	1,350	1,350
		<b>524,956</b>	<b>543,315</b>
<b>Current assets</b>			
Inventories	20	145	152
Trade and other receivables	21	7,095	6,093
Amounts due from related parties	26(b)	58	8
Tax recoverable		3,307	–
Cash and bank balances		24,422	19,637
		<b>35,027</b>	<b>25,890</b>
<b>Current liabilities</b>			
Other payables, deposits received and accrued charges		36,291	48,518
Amount due to a director	26(b)	–	21
Amount due to a non-controlling shareholder of a subsidiary	26(b)	6,414	6,414
Amounts due to related parties	26(b)	5	–
Bank loans	22	121,495	151,097
Tax payable		–	4,309
		<b>164,205</b>	<b>210,359</b>
<b>Net current liabilities</b>		<b>(129,178)</b>	<b>(184,469)</b>
<b>Total assets less current liabilities</b>		<b>395,778</b>	<b>358,846</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Total assets less current liabilities</b>		<b>395,778</b>	358,846
<b>Non-current liabilities</b>			
Deferred tax liabilities	25	9,860	8,819
<b>Net assets</b>		<b>385,918</b>	350,027
<b>EQUITY</b>			
Share capital	23	26,218	26,218
Reserves		361,402	325,355
<b>Equity attributable to owners of the Company</b>		<b>387,620</b>	351,573
<b>Non-controlling interests</b>		<b>(1,702)</b>	(1,546)
<b>Total equity</b>		<b>385,918</b>	350,027

On behalf of the Board

\_\_\_\_\_  
Lun Yiu Kay Edwin  
Director

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

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1	1
Interests in subsidiaries	18	230,054	232,730
Club membership	19	1,350	1,350
		<b>231,405</b>	234,081
<b>Current assets</b>			
Deposits and prepayments		47	54
Amounts due from related companies	26(b)	38	–
Cash and bank balances		1,981	3,130
		<b>2,066</b>	3,184
<b>Current liabilities</b>			
Other payables and accrued charges		594	502
Amount due to a director		–	21
Amount due to a subsidiary	18(b)	874	1,390
		<b>1,468</b>	1,913
<b>Net current assets</b>		<b>598</b>	1,271
<b>Net assets</b>		<b>232,003</b>	235,352
<b>EQUITY</b>			
Share capital	23	26,218	26,218
Reserves	24	205,785	209,134
<b>Total equity</b>		<b>232,003</b>	235,352

On behalf of the Board

\_\_\_\_\_  
Lun Yiu Kay Edwin  
Director

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2013	26,218	57,556	129	104,874	107,281	296,058	(1,391)	294,667
Profit and total comprehensive income for the year	-	-	-	-	55,093	55,093	(155)	54,938
Unclaimed dividend forfeited	-	-	-	-	422	422	-	422
At 31 March 2014 and 1 April 2014	26,218	57,556	129	104,874	162,796	351,573	(1,546)	350,027
Profit and total comprehensive income for the year	-	-	-	-	36,047	36,047	(156)	35,891
At 31 March 2015	26,218	57,556	129	104,874	198,843	387,620	(1,702)	385,918

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Operating activities</b>			
Profit before income tax		45,955	68,160
Interest income	7	(6)	(8)
Interest expenses	8	1,304	2,118
Depreciation of property, plant and equipment	9	17,586	17,457
Depreciation of investment property	9	302	302
Amortisation of intangible assets	9	1,167	1,167
Write back of accrued expenses and provision	7	–	(2,809)
Discount received on the settlement of other payables	7	(206)	–
Bad debts written off	9	–	1,119
Write back of provision for doubtful debts	7	–	(19)
Loss on disposal of property, plant and equipment	9	12	73
Operating profit before working capital changes		66,114	87,560
Decrease in inventories		7	46
(Increase)/Decrease in trade and other receivables		(1,002)	3,879
(Increase)/Decrease in amounts due from related parties		(50)	40
(Decrease)/Increase in other payables, deposits received and accrued charges		(12,021)	5,480
(Decrease)/Increase in amount due to a director		(21)	6
Increase/(Decrease) in amounts due to related parties		5	(2)
Net cash generated from operations		53,032	97,009
Interest received		6	8
Interest paid		(1,304)	(2,118)
Income tax paid		(16,639)	(14,843)
<b>Net cash generated from operating activities</b>		<b>35,095</b>	<b>80,056</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	–	35
Purchases of property, plant and equipment	(708)	(1,153)
<b>Net cash used in investing activities</b>	(708)	(1,118)
<b>Financing activities</b>		
Bank loans raised	33,000	–
Repayments of bank loans	(62,602)	(82,196)
<b>Net cash used in financing activities</b>	(29,602)	(82,196)
<b>Increase/(Decrease) in cash and cash equivalents</b>	4,785	(3,258)
<b>Cash and cash equivalents at beginning of year</b>	19,637	22,895
<b>Cash and cash equivalents at end of year</b>	24,422	19,637
<b>Analysis of the balances of cash and cash equivalents</b>		
<b>Cash and bank balances</b>	24,422	19,637

# NOTES TO FINANCIAL STATEMENT

## 1. GENERAL INFORMATION

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

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in Note 31. The Company and its subsidiaries are collectively referred to as the “Group”. There were no significant changes in the Group’s business during the year.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new/revised HKFRSs – effective 1 April 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures

Except as explained below, the adoption of these amendments had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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

The amendments clarify the offsetting requirements by adding application guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

#### **Amendments to HKAS 36 Recoverable Amount Disclosures**

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements.

# NOTES TO FINANCIAL STATEMENT

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – CONTINUED

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

At the date of approval of these financial statements, certain new or amended HKFRSs have been issued but are not yet effective, and have not been early adopted by the Group for the year ended 31 March 2015.

The directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group’s accounting policies is provided below.

#### **HKFRS 9 (2014) – Financial Instruments**

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

# NOTES TO FINANCIAL STATEMENT

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – CONTINUED

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

#### **HKFRS 9 (2014) – Financial Instruments – Continued**

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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 15 – Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

# NOTES TO FINANCIAL STATEMENT

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### (b) Basis of measurement

The consolidated financial statements are prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of revised/amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

The consolidated financial statements have been prepared on a going concern basis, notwithstanding the fact that the Group had a net current liabilities of HK\$129,178,000 (2014: HK\$184,469,000) as at 31 March 2015.

# NOTES TO FINANCIAL STATEMENT

## 3. BASIS OF PREPARATION – CONTINUED

### (b) Basis of measurement – Continued

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) The Group is able to continue using the financing under the banking facilities granted by the bank. As at 31 March 2015, the Group has total banking facilities of HK\$473,495,000 of which approximately HK\$352,000,000 still remain unused. These facilities will be drawn under the Group's requisition through the bank's normal procedures; and
- (ii) Bank loan with carrying amount of approximately HK\$104,979,000 as at 31 March 2015 that is repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreement, with repayment on demand clause, has been classified as current liability as at 31 March 2015 in accordance with 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 and the securities underlying the loan, the directors believe that the bank will not exercise its discretionary rights to demand immediate repayment. The directors believe that the bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

Based on the above, the directors are satisfied that the Group 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 fail to continue as a going concern. Should the Company be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in these financial statements.

### (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.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

### (b) Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates of depreciation are as follows:

Hotel property	2.5%
Furniture, fixtures and equipment	10% – 20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (d) Investment property

Investment property is a property held either to earn rentals or for capital appreciation or for both or held for undetermined future use, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of estimated residual value over the estimated useful life which is 40 years using straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

### (e) Intangible assets

Intangible assets represent the cost of acquisition of a license to install neon light signage for displaying the name of property and is amortised on straight-line method over its estimated useful life which is 12 years.

### (f) Club membership

Club membership are stated at cost less impairment losses.

### (g) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets and the Company's investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (g) Impairment of other assets – Continued

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (h) Inventories

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

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (i) Financial instruments

#### (i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. At the end of the reporting date, the Group's financial assets included trade and other receivables, amounts due from related parties and cash and bank balances were classified as loans and receivables.

#### Loans and receivables

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

#### (ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include but not limited to:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (i) Financial instruments – Continued

#### (ii) Impairment loss on financial assets – Continued

Impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance for the relevant financial assets.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. At the end of the reporting date, the Group's financial liabilities included other payables, deposits received and accrued charges, amount due to a director, amount due to a subsidiary, amount due to a non-controlling shareholder of a subsidiary, amounts due to related parties and bank loans and were classified as financial liabilities at amortised cost.

##### Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (i) Financial instruments – Continued

#### (iv) Effective interest method

Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vi) Financial guarantee contracts

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

#### (vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### (l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns and other similar allowances.

Revenue from room rental, food and beverage sales and other ancillary services in the hotel are recognised when relevant services are rendered.

Interest income is recognised on time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (n) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Retirement scheme obligations

The Group participates in a master trust scheme provided by an independent Mandatory Provident Fund (“MPF”) service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by the Group to the scheme are charged to profit or loss as incurred.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by the laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. The Group and the employees contribute to the MPF Scheme (the “MPF contributions”) in accordance with the MPF Schemes Ordinance. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (o) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into HK\$ at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (p) Related parties

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

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

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

# NOTES TO FINANCIAL STATEMENT

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (q) **Borrowing costs**

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

### (r) **Segment reporting**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's service lines. For the years ended 31 March 2015 and 2014, the Group has one single business segment, namely hotel operation.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs.

# NOTES TO FINANCIAL STATEMENT

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

#### **Classification of the leasehold land**

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

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

### (b) Key sources of estimation uncertainty

#### **Estimation of useful lives and residual value of property, plant and equipment**

The Group's management determines the estimated useful lives and estimated residual value of its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives and residual value of these property, plant and equipment of similar nature and functions.

Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

# NOTES TO FINANCIAL STATEMENT

## 6. SEGMENT REPORTING

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

### (a) Geographical information

During the years ended 31 March 2015 and 2014, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

### (b) Information about major customers

The Group's customer base is diversified and there were three customers (2014: three) with whom transactions have exceeded 10% of the Group's revenue during the year as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A	15,645	44,211
Customer B	47,325	40,504
Customer C	N/A	25,006
Customer D	39,828	N/A
	<b>102,798</b>	<b>109,721</b>

# NOTES TO FINANCIAL STATEMENT

## 7. TURNOVER AND OTHER INCOME

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 income are as follows:

	2015 HK\$'000	2014 HK\$'000
Turnover		
Hotel operations		
– Hotel room sales	132,211	163,465
– Food and beverage income	5,253	5,199
– Miscellaneous sales	366	396
	<b>137,830</b>	169,060
Other income		
Bank interest income	6	8
Discount received on the settlement of other payables	206	–
Write back of provision for doubtful debts	–	19
Write back of accrued expense and provision	–	2,809
Sundry income	460	–
	<b>672</b>	2,836
	<b>138,502</b>	171,896

# NOTES TO FINANCIAL STATEMENT

## 8. FINANCE COSTS

Finance costs comprise the following:

	2015 HK\$'000	2014 HK\$'000
Interest on bank loans		
– wholly repayable within five years (Note)	162	788
– not wholly repayable within five years (Note)	1,142	1,330
Total borrowing costs incurred	1,304	2,118
Bank charges	8	208
	<b>1,312</b>	<b>2,326</b>

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

## 9. PROFIT BEFORE INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Profit before income tax is arrived at after charging the following:		
Cost of services provided	26,370	25,188
Auditor's remuneration	530	500
Depreciation of property, plant and equipment	17,586	17,457
Depreciation of investment property	302	302
Amortisation of intangible assets	1,167	1,167
Loss on disposal of property, plant and equipment	12	73
Bad debts written off	–	1,119
Staff costs (including directors' emoluments as disclosed in Note 14)		
– Salaries and allowances	48,188	59,673
– Retirement benefit cost	1,056	963

# NOTES TO FINANCIAL STATEMENT

## 10. INCOME TAX EXPENSE

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

Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2015 HK\$'000	2014 HK\$'000
<u>Current tax – Hong Kong Profits Tax</u>		
Provision for the year	9,020	12,314
Under/(Over)-provision in prior years	3	(10)
	<u>9,023</u>	<u>12,304</u>
<u>Deferred taxation (Note 25)</u>		
Origination and reversal of temporary differences, net	1,041	918
	<u>10,064</u>	<u>13,222</u>

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

	2015 HK\$'000	2014 HK\$'000
<u>Profit before income tax</u>	<u>45,955</u>	<u>68,160</u>
Tax at applicable tax rate of 16.5% (2014: 16.5%)	7,582	11,246
Tax effect of expenses not deductible for tax purposes	1,917	1,722
Tax effect of income not taxable for tax purposes	(1)	(1)
Under/(Over)-provision in prior years	3	(10)
Unrecognised tax losses	563	265
	<u>10,064</u>	<u>13,222</u>

# NOTES TO FINANCIAL STATEMENT

## 11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the year include a loss of HK\$3,349,000 (2014: loss of HK\$1,576,000) which has been dealt with in the financial statements of the Company.

## 12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2014: Nil).

## 13. EARNINGS PER SHARE

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

	2015 HK\$'000	2014 HK\$'000
Profit for the year attributable to owners of the Company	36,047	55,093
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	1,310,925	1,310,925

There is no dilutive potential share for the years ended 31 March 2015 and 2014.

# NOTES TO FINANCIAL STATEMENT

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

- (a) The emoluments paid or payable to each of the directors, who are also considered as key management personnel of the Company, during the year are as follows:

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contribution HK\$'000	Bonus HK\$'000	Total HK\$'000
For the year ended 31 March 2015					
<u>Executive directors</u>					
Lun Chi Yim *	350	277	–	–	627
Lun Yiu Kay Edwin	533	31	2	17,000	17,566
Ng Tze Ho Joseph	80	–	1	50	131
Suen Chui Fan	350	37	–	3,000	3,387
	1,313	345	3	20,050	21,711
<u>Independent non-executive directors</u>					
Tse Kwing Chuen	160	–	–	50	210
Ng Hung Sui Kenneth	160	–	–	50	210
Lam Yiu Pang Albert	160	–	–	50	210
	480	–	–	150	630
<b>Total</b>	<b>1,793</b>	<b>345</b>	<b>3</b>	<b>20,200</b>	<b>22,341</b>

\* deceased on 30 October 2014

# NOTES TO FINANCIAL STATEMENT

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

- (a) The emoluments paid or payable to each of the directors, who are also considered as key management personnel of the Company, during the year are as follows: – Continued

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contribution HK\$'000	Bonus HK\$'000	Total HK\$'000
For the year ended 31 March 2014					
<u>Executive directors</u>					
Lun Chi Yim	600	381	–	17,500	18,481
Lun Yiu Kay Edwin	500	–	1	10,500	11,001
Ng Tze Ho Joseph	80	–	1	–	81
Suen Chui Fan	350	98	–	5,820	6,268
	1,530	479	2	33,820	35,831
<u>Independent non-executive directors</u>					
Tse Kwing Chuen	160	–	–	40	200
Ng Hung Sui Kenneth	160	–	–	40	200
Lam Yiu Pang Albert	160	–	–	40	200
	480	–	–	120	600
<b>Total</b>	<b>2,010</b>	<b>479</b>	<b>2</b>	<b>33,940</b>	<b>36,431</b>

## NOTES TO FINANCIAL STATEMENT

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

#### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2014: three) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2014: two) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,546	847
MPF contributions	34	30
	<u>1,580</u>	<u>877</u>

The emoluments of the remaining two (2014: two) individuals fell within the following bands:

	No. of individuals	
	2015	2014
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	1	–

- (c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2014: Nil).

# NOTES TO FINANCIAL STATEMENT

## 15. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Hotel property HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
<b>Cost</b>			
At 1 April 2013	686,275	3,198	689,473
Additions	–	1,153	1,153
Disposals	–	(189)	(189)
At 31 March 2014 and 1 April 2014	686,275	4,162	690,437
Additions	–	708	708
Disposals	–	(17)	(17)
At 31 March 2015	686,275	4,853	691,128
<b>Accumulated depreciation</b>			
At 1 April 2013	141,545	2,601	144,146
Charged for the year	17,157	300	17,457
Written back on disposals	–	(81)	(81)
At 31 March 2014 and 1 April 2014	158,702	2,820	161,522
Charged for the year	17,157	429	17,586
Written back on disposals	–	(5)	(5)
At 31 March 2015	175,859	3,244	179,103
<b>Net carrying value</b>			
At 31 March 2015	510,416	1,609	512,025
At 31 March 2014	527,573	1,342	528,915

At 31 March 2015, the Group's hotel property was located in Hong Kong under medium-term lease and was pledged to a bank for granting loans to the Group amounting to HK\$121,495,000 (2014: HK\$151,097,000)(Note 22).

# NOTES TO FINANCIAL STATEMENT

## 16. INTANGIBLE ASSETS – GROUP

	<b>Licence for neonlight signage HK\$'000</b>
Cost	
At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	14,000
Accumulated amortisation	
At 1 April 2013	9,820
Charged for the year	1,167
At 31 March 2014 and 1 April 2014	10,987
Charged for the year	1,167
At 31 March 2015	12,154
Net carrying value	
At 31 March 2015	1,846
At 31 March 2014	3,013

Amortisation charged on the licence during the year is included in depreciation and amortisation in the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO FINANCIAL STATEMENT

### 17. INVESTMENT PROPERTY – GROUP

	2015 HK\$'000	2014 HK\$'000
At cost		
Cost		
At beginning and end of year	12,000	12,000
Accumulated depreciation		
At beginning of year	1,963	1,661
Charged for the year	302	302
At end of year	2,265	1,963
Net carrying value		
At end of year	9,735	10,037

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

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

### 18. INTERESTS IN SUBSIDIARIES – COMPANY

	2015 HK\$'000	2014 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note (a))	230,235	232,911
	230,236	232,912
Less: Provision for impairment loss	(182)	(182)
	230,054	232,730

# NOTES TO FINANCIAL STATEMENT

## 18. INTERESTS IN SUBSIDIARIES – COMPANY – CONTINUED

- (a) Amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans.
- (b) Amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.
- (c) Particulars of principal subsidiaries are set out in Note 31.

Perfect Plan Development Limited ("Perfect Plan"), a 51% owned subsidiary of the Company, has material non-controlling interests.

Summarised financial information in relation to non-controlling interests of Perfect Plan, before intra-group eliminations, is presented below:

	2015 HK\$'000	2014 HK\$'000
For the year ended 31 March		
Revenue	–	–
Loss for the year	<b>319</b>	316
<b>Total comprehensive income for the year</b>	<b>319</b>	316
Loss for the year allocated to non-controlling interests	<b>156</b>	155
Net cash flows (used in)/generated from operating activities	<b>(1)</b>	20
Net (decrease)/increase in cash and cash equivalents	<b>(1)</b>	20
As at 31 March		
Current assets	<b>24</b>	25
Non-current assets	<b>9,736</b>	10,038
Current liabilities	<b>(13,233)</b>	(13,217)
<b>Net liabilities</b>	<b>(3,473)</b>	(3,154)
<b>Accumulated non-controlling interests</b>	<b>(1,702)</b>	(1,546)

# NOTES TO FINANCIAL STATEMENT

## 19. CLUB MEMBERSHIP – GROUP AND COMPANY

The club membership is stated at cost as at the end of the reporting date. As the club membership does not have a quoted market price in an active market, its fair value cannot be reliably measured.

## 20. INVENTORIES – GROUP

These represent food and beverage, admission tickets for resale and other consumables.

## 21. TRADE AND OTHER RECEIVABLES – GROUP

	2015 HK\$'000	2014 HK\$'000
Trade receivables	5,915	4,829
Deposits, prepayments and other receivables	1,180	1,264
	<b>7,095</b>	<b>6,093</b>

- (a) The Group allows an average credit period of one week (2014: one week) to its trade customers. All trade receivables are expected to be recovered within one year. The following is an ageing analysis of trade receivables, based on invoice date and net of allowance, at the end of the reporting period:

	2015 HK\$'000	2014 HK\$'000
Within 30 days	5,915	4,698
31–60 days	–	4
Over 90 days	–	127
	<b>5,915</b>	<b>4,829</b>

# NOTES TO FINANCIAL STATEMENT

## 21. TRADE AND OTHER RECEIVABLES – GROUP – CONTINUED

- (b) Ageing analysis of trade receivables, net of allowances, which are past due but not impaired is as follows:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	3,535	3,211
Within 30 days	2,380	1,491
61–90 days	–	127
Amount past due but not impaired	2,380	1,618
	<b>5,915</b>	<b>4,829</b>

Before accepting any new customer (other than walk-in customers), the Group assesses the potential customer's quality and defines credit limit by customer.

At 31 March 2015, trade receivables of HK\$3,535,000 (2014: HK\$3,211,000) 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 significant credit risk on these trade receivables. Included in the Group's trade receivables balance of HK\$2,380,000 (2014: HK\$1,618,000) at 31 March 2015 were past due at 31 March 2015 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.

## NOTES TO FINANCIAL STATEMENT

### 22. BANK LOANS – GROUP

	2015 HK\$'000	2014 HK\$'000
Secured		
Bank instalment loans	121,495	146,097
Bank revolving loans	–	5,000
	<b>121,495</b>	<b>151,097</b>

- (a) All bank loans are denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 31 March 2015, effective interest rate of the bank instalment loans and revolving loans are 0.87% and 2.18% (2014: 0.86% and 2.16%) per annum respectively.
- (b) All bank loans are secured by the first legal charge of the hotel property of the Group (Note 15), the corporate guarantee from the Company and guarantees from the directors of the Company and their related companies.
- (c) Based on the scheduled repayment date set out in the loan agreements, the amounts repayable in respect of the instalment and revolving loans are as follows:

	2015 HK\$'000	2014 HK\$'000
On demand or within one year	16,516	22,228
More than one year, but not exceeding two years	16,660	17,385
More than two year, but not exceeding five years	50,524	53,112
After five years	37,795	58,372
	<b>104,979</b>	<b>128,869</b>
	<b>121,495</b>	<b>151,097</b>
Carrying amount of bank loans for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	<b>104,979</b>	<b>128,869</b>

# NOTES TO FINANCIAL STATEMENT

## 23. SHARE CAPITAL

	2015 and 2014	
	Number of	Amount
	shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.02 each	3,000,000,000	60,000
Issued and fully paid:		
Ordinary shares of HK\$0.02 each	1,310,925,244	26,218

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

## 24. RESERVES

### (i) Share premium

The balance represents the premium arising from the issue of shares at a price in excess of their par value per share.

### (ii) Contributed surplus

As advised by the Company's Bermuda counsel on 5 September 2008, the credit arising on the cancellation of the share capital under the Capital Reorganisation may be used in such manner as including contributing the credit arising to the Company's contributed surplus account, which is a distributable reserve of the Company, after the approval of the shareholders at the special general meeting.

# NOTES TO FINANCIAL STATEMENT

## 24. RESERVES – CONTINUED

### (iii) Reserves of the Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2013	57,556	129	104,874	47,729	210,288
Loss and total comprehensive income for the year	-	-	-	(1,576)	(1,576)
Unclaimed dividend forfeited	-	-	-	422	422
At 31 March 2014 and 1 April 2014	57,556	129	104,874	46,575	209,134
Loss and total comprehensive income for the year	-	-	-	(3,349)	(3,349)
At 31 March 2015	57,556	129	104,874	43,226	205,785

## 25. DEFERRED TAX LIABILITIES – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2014:16.5%). Movement in deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation HK\$'000
At 1 April 2013	7,901
Charge to profit or loss (Note 10(a))	918
At 31 March 2014 and 1 April 2014	8,819
Charge to profit or loss (Note 10(a))	1,041
At 31 March 2015	9,860

# NOTES TO FINANCIAL STATEMENT

## 25. DEFERRED TAX LIABILITIES – GROUP – CONTINUED

Unrecognised temporary differences, represented by unutilised tax losses as at 31 March 2015 amounted to HK\$82,811,000 (2014: HK\$77,356,000), which are subject to the agreement of the Hong Kong Inland Revenue Department. This balance may be carried forward indefinitely.

No deferred tax asset for such losses has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised due to the unpredictability of future profits streams of the Company and its subsidiaries.

## 26. RELATED PARTY TRANSACTIONS

As at 31 March 2015, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which was 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 31 March 2015, the Group's bank loans of HK\$121,495,000 (2014: HK\$151,097,000) were secured by personal guarantees from Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin, directors of the Company, and corporate guarantees from Winland Enterprises Limited and Falcome Company Limited in which Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin have beneficial interests.
- (b) Amounts due from/(to) related parties, amount due to a director and amount due to a non-controlling shareholders of a subsidiary are all unsecured, interest-free and repayable on demand.

# NOTES TO FINANCIAL STATEMENT

## 26. RELATED PARTY TRANSACTIONS – CONTINUED

### (c) Compensation of key management personnel

The emoluments of key management personnel (comprising of directors only) during the year were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	22,338	36,429
Contributions to retirement benefits schemes	3	2
	<b>22,341</b>	<b>36,431</b>

The emoluments paid or payable to key management personnel (comprising of directors only) were within the following bands:

	No. of individuals 2015	2014
Nil to HK\$1,000,000	5	4
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$6,000,001 to HK\$6,500,000	–	1
HK\$11,000,001 to HK\$11,500,000	–	1
HK\$17,500,001 to HK\$18,000,000	1	–
HK\$18,000,001 to HK\$18,500,000	–	1

## 27. CONTINGENT LIABILITIES

At the end of the reporting period, the Company provided financial guarantee to a bank for the banking facilities of an aggregate amount of HK\$473,495,000 (2014: HK\$498,097,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK\$121,495,000 (2014: HK\$151,097,000) as at 31 March 2015. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The Company has not recognised any deferred income in respect of the guarantees as the fair value is insignificant and its transaction price was nil. The Company had not recognised any provision in the Company's financial statements as at 31 March 2015 as the directors considered that the probability for the holder of the guarantees to call upon the Company as a result of default in repayment is remote.

# NOTES TO FINANCIAL STATEMENT

## 28. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes bank loans disclosed in Note 22, less cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 23 and 24 respectively.

The Group's management reviews the capital structure periodically. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts. No changes were made to the objectives or policies for both years.

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

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Debts	<b>121,495</b>	151,097
Cash and cash equivalents	<b>(24,422)</b>	(19,637)
	<b>97,073</b>	131,460
Equity	<b>385,918</b>	350,027
Debt to equity ratio	<b>25%</b>	38%

## 29. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

# NOTES TO FINANCIAL STATEMENT

## 29. FINANCIAL RISK MANAGEMENT – CONTINUED

### (a) Credit risk

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

The Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the statements of financial position are net of provisions for doubtful receivables. Provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that transactions are carried out only with customers with an appropriate credit history and the management continuously monitors the level of exposure to ensure follow-up action is taken.

### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group relies on bank loans as a significant source of liquidity. As at 31 March 2015, the Group had total available unutilised short-term bank loan facilities of approximately HK\$352,000,000 (2014: HK\$347,000,000).

The following table details the remaining contractual maturities at the end of the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

# NOTES TO FINANCIAL STATEMENT

## 29. FINANCIAL RISK MANAGEMENT – CONTINUED

### (b) Liquidity risk – Continued

<u>The Group</u>	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
<u>2015</u>			
Other payables, deposits received and accrued charges	36,291	36,291	36,291
Amounts due to related companies	5	5	5
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Bank loans	121,495	121,495	121,495
	<u>164,205</u>	<u>164,205</u>	<u>164,205</u>
<u>2014</u>			
Other payables, deposits received and accrued charges	48,518	48,518	48,518
Amount due to a director	21	21	21
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Bank loans	151,097	151,097	151,097
	<u>206,050</u>	<u>206,050</u>	<u>206,050</u>

Included in the interest-bearing bank loans are mortgaged term loan and revolving loans which the related agreements contain repayment on demand clause giving the bank unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the above clause, the directors consider that the loans will be repaid in accordance with the scheduled repayments dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group, the Group’s compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

# NOTES TO FINANCIAL STATEMENT

## 29. FINANCIAL RISK MANAGEMENT – CONTINUED

### (b) Liquidity risk – Continued

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

<u>The Group</u>	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
31 March 2015	121,495	125,350	17,504	17,504	52,512	37,830
31 March 2014	151,097	156,665	23,483	18,483	55,449	59,250

<u>The Company</u>	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
--------------------	-----------------------------	--	--

#### 2015

Other payables and accrued charges	594	594	594
Amount due to a subsidiary	874	874	874
	1,468	1,468	1,468

Financial guarantees issued – maximum amount granted	–	121,495	121,495
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#### 2014

Other payables and accrued charges	502	502	502
Amount due to a subsidiary	1,390	1,390	1,390
Amount due to a director	21	21	21
	1,913	1,913	1,913

Financial guarantees issued – maximum amount granted	–	151,097	151,097
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# NOTES TO FINANCIAL STATEMENT

## 29. FINANCIAL RISK MANAGEMENT – CONTINUED

### (c) Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's bank loans with a floating interest rate. Interest rates and terms of repayment of the Group's borrowings are disclosed in Note 22. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

#### Sensitivity analysis

At 31 March 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately HK\$507,000 (2014: HK\$631,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for loans outstanding in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2014.

### (d) Currency risk

Each member of the group company mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

### (e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2015 and 2014.

## NOTES TO FINANCIAL STATEMENT

### 30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's and the Company's financial assets and financial liabilities as recognised at 31 March 2015 and 2014 may be categorised as follows:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>				
Trade and other receivables	5,938	4,829	–	–
Amounts due from related parties	58	8	38	–
Cash and bank balances	24,422	19,637	1,981	3,130
	<b>30,418</b>	24,474	<b>2,019</b>	3,130
<b>Financial liabilities</b>				
Other payables, deposits received and accrued charges	36,291	48,518	594	502
Amount due to a director	–	21	–	21
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	–	–
Amounts due to related parties	5	–	–	–
Amount due to a subsidiary	–	–	874	1,390
Bank loans	121,495	151,097	–	–
	<b>164,205</b>	206,050	<b>1,468</b>	1,913

# NOTES TO FINANCIAL STATEMENT

## 31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31 March 2015 are set out below:

Name of subsidiary	Place of incorporation and operation	Particulars of capital	Percentage held by holding		Principal activities
			directly	indirectly	
City Promenade Limited	Hong Kong	Paid-up capital of HK\$2	-	100%	Hotel operation
Perfect Plan Development Limited	Hong Kong	Paid-up capital of HK\$100	-	51%	Property holding
Goodnews Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US\$1.00 each	100%	-	Investment holding

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

## 32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 26 June 2015.

## FINANCIAL SUMMARY

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Results					
Year ended 31 March					
Turnover	<b>137,830</b>	169,060	149,434	96,964	79,992
Profit attributable to equity holders of the Company	<b>36,047</b>	55,093	43,478	16,873	3,231
Total comprehensive income attributable to owners of the Company	<b>35,891</b>	54,938	43,324	16,717	3,077
Assets and liabilities					
As at 31 March					
Total assets	<b>559,983</b>	569,205	595,446	617,243	620,220
Total liabilities	<b>(174,065)</b>	(219,178)	(300,779)	(365,900)	(386,687)
Non-controlling interests	<b>1,702</b>	1,546	1,391	1,237	1,081
Equity attributable to equity holders of the Company	<b>387,620</b>	351,573	296,058	252,580	234,614

# PARTICULARS OF PRINCIPAL PROPERTY

## HOTEL PROPERTY

Particulars of the Group's hotel property as at 31 March 2015 are as follows:

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

## LAND

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



**MEXAN LIMITED**

**茂盛控股有限公司**