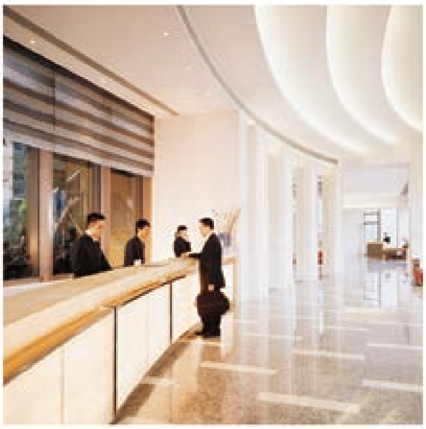
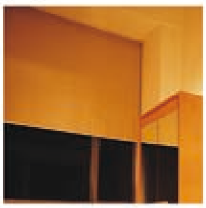
MEXAN LIMITED
茂盛控股有限公司

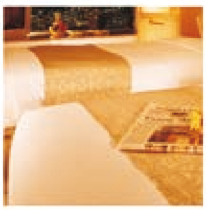
(Incorporated in Bermuda with limited liability)

(Stock Code: 22)



Annual Report 2017





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

Shareholders who have chosen or have been deemed consent to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Lun Yiu Kay Edwin (Chairman)
Suen Chui Fan
(Deceased on 5 February 2017)
Ng Tze Ho Joseph

Independent Non-Executive Directors:
Tse Kwing Chuen
Ng Hung Sui Kenneth
Lau Shu Kan
(Appointed on 6 September 2016)
Lam Yiu Pang Albert
(Resigned on 7 September 2016)

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

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 2017.

RESULTS

The Group operates the Mexan Harbour Hotel. In 2016, the average room rate decreased from April 2016 to March 2017, resulting the total decrease comparing with last year. The Group closely monitors the business environment and adapts quickly to overcome challenges we encountered.

Turnover generated from hotel operations for recent years

	2017 **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000
Hotel room sales	**80,911**	129,274	132,211	163,465
Food and beverage income	**3,660**	4,547	5,253	5,199
Miscellaneous sales	**314**	391	366	396
Turnover	**84,885**	134,212	137,830	169,060

PROSPECTS

Looking forward, Hong Kong's hospitality industry may remain weak in the near term, adversely affected by the sluggish global economic condition and a slowdown of inbound tourism. 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, 28 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

Hotel business

The Group operates the Mexan Harbour Hotel, a 800-room hotel in Tsing Yi, maintained an average occupancy rate of approximately 99% for the year under review. It is because the average room rate decreased from April 2016 to March 2017, resulting the total income decrease when comparing with last year. 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 2017, the Group's total borrowings amounted to approximately HK$50 million compared with approximately HK$59 million as at 31 March 2016. The decrease of the Group's total borrowings was due to the repayment of significant amount of loan.

As at 31 March 2017, cash and bank balances amounted to approximately HK$20 million compared with cash and bank balances of approximately HK$13 million last year. The Group's net assets as at 31 March 2017 amounted to approximately HK$421 million compared with approximately HK$422 million last year.

Gearing ratio of the Group which expressed as a percentage of debts, which include bank loan and amount due to a director, to total equity was approximately 14% as at 31 March 2017 and remained the same as at 31 March 2016. Net gearing ratio of the Group which is expressed as a percentage of net borrowings (total debts less cash and bank balance) to total equity was approximately 9% compared with approximately 11% last year.

Of the Group's bank loans as at 31 March 2017, approximately HK$10 million would be due within one year and approximately HK$40 million would be due repayment after one year which contain repayable on demand clause. The total borrowings were denominated in HK$ and bear a variable interest rate.

The above bank loans were secured by the hotel property and corporate guarantee from the Company.

TREASURY POLICIES

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

EQUITY

Total equity of the Group as at 31 March 2017 was approximately HK$421 million compared with approximately HK$422 million last year. Total equity attributable to owners of the Company as at 31 March 2017 was approximately HK$423 million which remain the same as last year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 March 2017, the total number of employees of Group was 106 (2016: 119). 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$49,643,000 (2016: HK$410,959,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$49,643,000 (2016: HK$58,959,000) as at 31 March 2017. 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 2017 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 2017, 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.

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. Ng Hung Sui Kenneth is independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 7 September 2016 as he 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 2017 and up to the date of this report were:

Executive Directors

Lun Yiu Kay Edwin
Suen Chui Fan (Deceased on 5 February 2017)
Ng Tze Ho Joseph

Independent Non-Executive Directors

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lau Shu Kan (Appointed on 6 September 2016)
Lam Yiu Pang Albert (Resigned on 7 September 2016)

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS – CONTINUED

As at the date of this report, the Board comprised five Directors, two 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.

BOARD OF DIRECTORS – CONTINUED

For the year ended 31 March 2017, 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 2017:

Directors' Attendance

	Number of Board Meetings held during the Director's term of office during the year ended 31 March 2017	Number of meeting(s) attended
Executive Directors		
Mr. Lun Yiu Kay Edwin (Chairman)	5	5
Ms. Suen Chui Fan (Note 1)	5	1
Mr. Ng Tze Ho Joseph	5	5
Independent Non-Executive Directors		
Dr. Tse Kwing Chuen	5	5
Mr. Ng Hung Sui Kenneth	5	5
Mr. Lau Shu Kan (Note 2)	2	2
Mr. Lam Yiu Pang Albert (Note 3)	3	3

Note 1: Ms. Suen Chui Fan deceased on 5 February 2017.
Note 2: Mr. Lau Shu Kan was appointed as independent non-executive director on 6 September 2016.
Note 3: Mr. Lam Yiu Pang Albert resigned as independent non-executive director on 7 September 2016.

BOARD OF DIRECTORS – CONTINUED

Training and Support for Directors

The Company recognizes the importance of keeping the Directors updated with latest information of duties and obligations of a director of a company which shares are listed on the Stock Exchange of Hong Kong Limited and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed Director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. The Company would also provide regular updates in relation to the latest developments regarding Listing Rules and other applicable regulations.

During year ended 31 March 2017, the Directors had participated in the following types of continuous professional development:

Name of Directors	Type of continuous professional development
Lun Yiu Kay Edwin	A, B
Suen Chui Fan	A, B
Ng Tze Ho Joseph	A, B
Lau Shu Kan	A, B
Lam Yiu Pang Albert	A, B
Ng Hung Sui Kenneth	A, B
Tse Kwing Chuen	A, B

A: attending business meetings relating to the directors of listed companies
B: reading guidance notes and updates relating to regulatory requirements for listed companies and obligations of their directors

Directors' Liability Insurance

The Company has in place an appropriate directors' and officers' liability insurance policy for each member of the Board to cover their liabilities on damages arising out of corporate activities. The coverage and the sum insured under the policy are reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The term of office of each present independent non-executive director is for a period of 2 years from 19 April 2016 to 18 April 2018, subject to retirement by rotation in accordance with the Bye-laws of the Company.

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 two executive directors, Mr. Lun Yiu Kay Edwin 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:

Name of Members	Number of Executive Committee meetings held during member's term of office during the year ended 31 March 2017	Number of meeting(s) attended
Mr. Lun Yiu Kay Edwin (Chairman)	2	2
Ms. Suen Chui Fan (Note 1)	2	2
Mr. Ng Tze Ho Joseph	2	2

Note 1: Ms. Suen Chui Fan deceased on 5 February 2017.

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. Lau Shu Kan.

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.

REMUNERATION COMMITTEE – CONTINUED

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

Name of Members	Number of Remuneration Committee meeting held during the member's term of office during year ended 31 March 2017	Number of meetings attended
Mr. Lau Shu Kan (Chairman)(Note 1)	1	1
Mr. Lam Yiu Pang Albert (Note 2)	1	1
Mr. Lun Yiu Kay Edwin	2	2
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

Note 1: Mr. Lau Shu Kan was appointed on 6 September 2016.
Note 2: Mr. Lam Yiu Pang Albert resigned on 7 September 2016.

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. Lau Shu Kan. The chairman of the Audit Committee is Mr. Lau Shu Kan. 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.

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;

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;

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:

Name of Members	Number of Audit Committee meetings held during the member's term of office during the year ended 31 March 2017	Number of meetings attended
Mr. Lau Shu Kan (Chairman) (Note 1)	1	1
Mr. Lam Yiu Pang Albert (Note 2)	1	1
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

Note 1: Mr. Lau Shu Kan was appointed on 6 September 2016.
Note 2: Mr. Lam Yiu Pang Albert resigned on 7 September 2016.

Summary of work done for the year ended 31 March 2017:–

- review of final results and draft audited financial statements for the year ended 31 March 2017;
- review of interim results and draft unaudited financial statements for the six months ended 30 September 2016; 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 2017.

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.

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. Lau Shu Kan. 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.

NOMINATION COMMITTEE – CONTINUED

During the year, one meeting was held by the Nomination Committee and the individual attendance of each member is set out below:

Name of Members	Number of Nomination Committee meetings held during the member's term of office during the year ended 31 March 2017	Number of meetings attended
Mr. Lun Yiu Kay Edwin (Chairman)	2	2
Mr. Lau Shu Kan (Note 1)	0	0
Mr. Lam Yiu Pang Albert (Note 2)	2	2
Dr. Tse Kwing Chuen	2	2

Note 1: Mr. Lau Shu Kan was appointed on 6 September 2016.
Note 2: Mr. Lam Yiu Pang Albert resigned on 7 September 2016.

Summary of work done for the year ended 31 March 2017:

- review the structure, composition of the Board and the Board diversity policy

- make recommendation on the re-appointment of the retiring Directors and assessment of the independence of INEDs

AUDITORS' REMUNERATION

BDO Limited is the auditor of the Company. During the year ended 31 March 2017, the fees charged to the financial statements of the Company and its subsidiaries for statutory audit amounted to HK$570,000.

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 2017, 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.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS – CONTINUED

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.

The Company's notices to Shareholders for the annual general meeting ("AGM") held in 2016 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 7th September 2016 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.

CORPORATE GOVERNANCE REPORT

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.

The Board has reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 March 2017, which covered all material controls, including financial, operational and compliance controls of the Group and considered that they are effective and adequate. The Board is also of the opinion that the resources for and qualifications of staff of the Company's accounting, internal audit and financial reporting functions are adequate and sufficient.

The Company does not have internal audit department and the chairman and the senior management of the Company are responsible to perform the internal audit function during the year ended 31 March 2017. The Company would review the arrangement of the internal audit function from time to time. The Audit Committee had reviewed the Company's internal audit function and the internal control systems for the year ended 31 March 2017 and considered that they are effective and adequate.

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 2017.

In the year review, the Group continued with initiatives to foster the well-being of the community, its employees and the environment. We have factored the concept of corporate social responsibility into our business practice while conveying the message of sustainability.

WORKPLACE QUALITY AND WORKING CONDITIONS

The Group treasures talent as it is the key for driving the success and maintaining sustainability of the corporation. The Group is dedicated to provide employees with good working conditions and a safe working environment and promote a healthy living style.

Competitive remuneration

Employees are offered with competitive remuneration and reviewed individually on an annual basis reflecting each employee's work performance and contributions, and also the market developments. Other fringe benefits include comprehensive medical insurance coverage, annual leave, sick leave and maternity leave. Red pocket money and gift coupons are distributed to staff in festivals.

Balance of life and work

Employees are encouraged to have a good balance among work, health and social activities which has been supported by adopting a five and a half-day work per week and arranging early release from work for festivals.

Equal opportunities

It is always the policy of the Group to promote equal opportunities in recruitment, internal transfer and promotion. The Group also hosts various meetings at which the colleagues can interact socially and enjoy the fellowship.

Safe working environment

Risk assessments of workstations, equipment and tools for all users are performed on a regular basis. Upgrades and maintenance are performed in line with the pace of technology advancement and the needs and demands of colleagues. To ensure hygienic working conditions, cleaning of air-conditioning systems and disinfection treatment of carpets are carried out at regular intervals.

WORKPLACE QUALITY AND WORKING CONDITIONS – CONTINUED

Continuous development

The Group strives to develop employees by providing them with opportunities to advance their career. Employees of the Group are encouraged to take part in external training courses and examinations.

ENVIRONMENTAL PROTECTION

As a responsible corporate citizen, the Group is aims to protect the environment and recognise the importance of weaving environmental sustainability into our daily business operations. We are committed to reduce of our CO_2 emissions in specific areas include electricity and paper consumption from our business activities annually. More specifically, the environmental policy of the Group is as follows:

Ensure compliance with all applicable environmental and related legislation and encourage staff, business partners and other stakeholders to meet their environmental obligations;

Identify environmental impacts associated with our operations, and set targets to continually improve our environmental performance;

Improve energy efficiencies by adopting best practicable designs and technologies without compromising service;

Minimize waste generation whenever practical in daily operations through source reduction and recycling;

Provide good indoor environmental quality in our hotel and office;

The Group has adopted a number of exercises to reduce energy consumption. These include:

- Control of temperature of the air-conditioner in the office and hotel;
- Double side printing;
- Setting copiers to turn off automatically after a designated time interval when not in use;

ENVIRONMENTAL PROTECTION – CONTINUED

- Use of energy-saving lightings;
- Lighting control with the help of timers;
- Reducing water consumption

OPERATING PRACTICES

The Group is committed to upholding high standards of business integrity, honesty and transparency in its business dealings and to respecting the rights and interests of customers.

In line with the Group's commitment to integrity in business, employees and stakeholders who deal with the Group including customers and suppliers are encouraged to report any suspected impropriety, misconduct or malpractice with the Group.

COMMUNITY INVOLVEMENT

The Group is committed to make a positive contribution to the communities in which it operates. The Group supports a barrier-free environment in the community. The hotel provides barrier-free access and facilities for people in need including persons with disabilities such as the provision of automatic doors opening devise for the exit doors and premise with disabled toilets.

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 2017.

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 2017 are set out in Note 26 to the financial statements.

An analysis of revenue 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 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

The state of affairs of the Group and the Company as at 31 March 2017 are set out in the statement of financial position on pages 38 to 39.

The cash flows of the Group are set out in the consolidated statement of cash flows on page 41.

As at 31 March 2017, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$40,084,000 (2016: $40,175,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2017 (2016: Nil).

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in Note 21 to the financial statements.

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 40 and in Note 22 to the financial statements respectively.

DIRECTORS' REPORT

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 95.

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 14 to the financial statements.

PRINCIPAL PROPERTY

Particulars of the Group's hotel property are set out on page 96.

BANK LOANS

Particulars of the Group's bank loans are set out in Note 20 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.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the largest and the five largest customers accounted for 41% and 90% respectively of the revenue of the Group for the year.

The aggregate purchases attributable to the largest and the five largest suppliers were more than 53% and 76% in the year under review.

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 and suppliers noted above.

DIRECTORS' REPORT

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)
Suen Chui Fan (Deceased on 5 February 2017)
Ng Tze Ho Joseph

Independent Non-Executive Directors:

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lau Shu Kan (Appointed on 6 September 2016)
Lam Yiu Pang Albert (Resigned on 7 September 2016)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ng Tze Ho Joseph and Mr. Lau Shu Kan shall retire by rotation and, being eligible, will offer himself 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.

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 47, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – CONTINUED

Executive Directors – continued

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.

Mr. Ng Tze Ho Joseph, aged 45, 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 20 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 66, 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 50, 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. Mr. Ng was also admitted as a solicitor in England and Wales in 1993 and as a legal practitioner in Tasmania, Australia in 1994. He is the managing partner of Ng, Au Yeung & Partners Solicitors & Notaries. Mr. Ng is a Notary Public of Hong Kong as well as a China-Appointed Attesting Officer.. Mr. Ng is the Chairman of 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. Lau Shu Kan, aged 58, had been in the banking industry for over 31 years and had held various senior executive positions in the areas of corporate and commercial banking, loan syndication, fixed incomes and commercial papers, commercial branch management, China banking, SME banking, offshore investment banking and insurance brokerage of leading European, Asian and Hong Kong based banks. Graduated from the Hong Kong Polytechnic with a Professional Diploma in Company Secretaries and Administration and obtained a MBA degree (Financial Services) from the University of Greenwich. Currently an associate member of Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators of the U.K.

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 2017, 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 and nature of interest	Approximate shareholding percentage (%)
Lun Yiu Kay Edwin (The administrator of the estate of Lun Chi Yim)	723,148,037	Interest of controlled corporation	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, Mr. Lun Chi Yim. Mr. Lun Chi Yim passed away in Hong Kong on 30 October 2014. Lun Yiu Kay Edwin and the estate of the late Mr. Lun Chi Yim were taken to be interested in 723,148,037 shares held by Winland Wealth (BVI) Limited. Letters of Administration dated 12 August 2015 was granted by the Probate Registry in Hong Kong respect of the late Mr. Lun Chi Yim's estate in Hong Kong.

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' 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:

Name of Director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the Director in the entity
Lun Yiu Kay Edwin	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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2017, 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 and nature of interest	Approximate shareholding percentage (%)
Winland Wealth (BVI) Limited (Note i)	Long	723,148,037 (Note i)	Beneficial owner	55.16
Winland Stock (BVI) Limited (Note iii)	Long	723,148,037 (Note ii)	Interest of controlled corporation	55.16

Notes:

i. Mr. Lun Yiu Kay Edwin (the administrator of the estate of 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.

ii. Winland Stock (BVI) Limited has declared an interest in 723,148,037 shares by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited.

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.

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. Lau Shu Kan. The Audit Committee has reviewed with the Group's auditors, BDO Limited, the audited financial statements for the year ended 31 March 2017 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, 28 June 2017

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 37 to 94, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

(Refer to Note 14 to the consolidated financial statements and the Group's accounting policies set out in Note 5(b)(iii))

As at 31 March 2017, the Group has property, plant and equipment with the carrying amounts of HK$478 million, which comprise a hotel property with the carrying amount of HK$476 million. Such hotel property is stated at cost less accumulated depreciation and impairment. The performance of the Group's hotel operation has been impacted by the uncertainties of the tourism market, such as slowdown of growth on PRC tourist arrive resulting in a depressed charging rate of hotel room. Management is required to assess whether there exist events or changes in circumstances which indicate that carrying amount of the hotel property is impaired. Management performed impairment assessment to determine the recoverable amount of the hotel property, which was determined based on fair value less costs to sell. The fair value less cost to sell is arrived at on the basis of valuation carried by the management which is determined based on direct comparison approach by reference to the recent sales price of comparable hotel properties, adjusted for differences in characteristics specific to the quality of the Group's hotel property as compared to those of the comparable properties. The management concluded that the recoverable amount of the hotel property is higher than its carrying value such that no impairment provision was required.

Determining the fair value of the hotel property required significant management judgement, including selecting comparable properties and making adjustments for the differences among the comparable properties and the hotel property, such as location, grade and condition of the property.

Our response:

Our audit procedures in relation to assess the potential impairment of the hotel property included:

- We assessed the valuation methodologies used by the management;
- We conducted in-depth discussion with management used in the fair value estimation and assessed the appropriateness of the significant assumptions and critical judgement areas which affect the fair value estimations;
- We benchmarked the key assumptions and parameters used in the fair value estimations against market data and comparables; and
- We checked the mathematical accuracy of the calculation of the valuations.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number P05309

Hong Kong, 28 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**84,885**	134,212
Direct costs		**(25,298)**	(24,926)
Gross profit		**59,587**	109,286
Other revenue	7	**3,208**	1,205
Administrative and other operating expenses		**(24,764)**	(44,724)
Depreciation and amortisation		**(18,757)**	(19,141)
Provision for impairment loss on trade receivables	19	**(17,192)**	–
Finance costs	8	**(758)**	(1,001)
Profit before income tax	9	**1,324**	45,625
Income tax expense	10	**(1,996)**	(10,022)
(Loss)/Profit and total comprehensive income for the year		**(672)**	35,603
(Loss)/Profit and total comprehensive income attributable to:			
Owners of the Company		**(516)**	35,759
Non-controlling interests	27	**(156)**	(156)
		(672)	35,603
(Loss)/Earnings per share – basic and diluted (HK cents)	12	**(0.04)**	2.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**477,580**	494,804
Intangible assets	15	–	679
Investment property	16	**9,131**	9,433
Club membership	17	–	1,350
		486,711	506,266
Current assets			
Inventories	18	**67**	140
Trade and other receivables	19	**8,240**	11,914
Amounts due from related parties	24(b)	**63**	38
Tax recoverable		**7,844**	–
Cash and bank balances		**19,906**	12,745
		36,120	24,837
Current liabilities			
Other payables, deposits received and accrued charges		**26,219**	31,071
Amount due to a non-controlling shareholder of a subsidiary	24(b)	**6,414**	6,414
Amount due to a director	24(b)	**8,000**	–
Bank loans	20	**49,643**	58,959
Tax payable		–	2,250
		90,276	98,694
Net current liabilities		**(54,156)**	(73,857)
Total assets less current liabilities		**432,555**	432,409

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Total assets less current liabilities		**432,555**	432,409
Non-current liabilities			
Deferred tax liabilities	23	**11,706**	10,888
Net assets		**420,849**	421,521
EQUITY			
Share capital	21	**26,218**	26,218
Reserves		**396,645**	397,161
Equity attributable to owners of the Company		**422,863**	423,379
Non-controlling interests	27	**(2,014)**	(1,858)
Total equity		**420,849**	421,521

On behalf of the Board

Lun Yiu Kay Edwin
Director

Ng Tze Ho Joseph
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	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 2015	26,218	57,556	129	104,874	198,843	387,620	(1,702)	385,918
Profit and total comprehensive income for the year	–	–	–	–	35,759	35,759	(156)	35,603
At 31 March 2016 and 1 April 2016	26,218	57,556	129	104,874	234,602	423,379	(1,858)	421,521
Loss and total comprehensive income for the year	–	–	–	–	(516)	(516)	(156)	(672)
At 31 March 2017	26,218	57,556	129	104,874	234,086	422,863	(2,014)	420,849

Nature and purpose of the reserves are disclosed in Note 22.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Operating activities			
Profit before income tax		**1,324**	45,625
Interest income	7	**(2)**	(6)
Interest expenses	8	**545**	792
Depreciation of property, plant and equipment	9	**17,776**	17,672
Gain on disposal of club membership	7	**(3,000)**	–
Provision for impairment loss on trade receivables	9	**17,192**	–
Depreciation of investment property	9	**302**	302
Amortisation of intangible assets	9	**679**	1,167
Loss on disposal of property, plant and equipment	9	**–**	4
Operating profit before working capital changes		**34,816**	65,556
Decrease in inventories		**73**	5
Increase in trade and other receivables		**(13,518)**	(4,819)
(Increase)/Decrease in amounts due from related parties		**(25)**	20
Decrease in other payables, deposits received and accrued charges		**(4,852)**	(5,220)
Decrease in amounts due to related parties		**–**	(5)
Net cash generated from operations		**16,494**	55,537
Interest received		**2**	6
Interest paid		**(545)**	(792)
Income tax paid		**(11,272)**	(3,437)
Net cash generated from operating activities		**4,679**	**51,314**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Net cash used in investing activities		
Purchases of property, plant and equipment	(555)	(455)
Proceeds from disposal of club membership	4,350	–
Proceeds from disposal of property, plant and equipment	3	–
Net cash generated from/(used in) investing activities	3,798	(455)
Net cash used in financing activities		
Increase in amount due to a director	8,000	–
Repayments of bank loans	(9,316)	(62,536)
Net cash used in financing activities	(1,316)	(62,536)
Increase/(Decrease) in cash and cash equivalents	7,161	(11,677)
Cash and cash equivalents at beginning of year	12,745	24,422
Cash and cash equivalents at end of year	19,906	12,745
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	19,906	12,745

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 26. 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 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

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.

2. ADOPTION OF HKFRSs – CONTINUED

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective:

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

2. ADOPTION OF HKFRSs – CONTINUED

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

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.

2. ADOPTION OF 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.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2. ADOPTION OF HKFRSs – CONTINUED

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

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.

2. ADOPTION OF HKFRSs – CONTINUED

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

There will be no impact on the Group's accounting as the Group did not hold any operating leases commitments as at the reporting date.

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 which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business, notwithstanding the fact that the Group had net current liabilities of HK$54,156,000 (2016: HK$73,857,000) as at 31 March 2017.

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 cash flow projections can be achieved the Group would have sufficient working capital to finance its operation and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period;

(ii) The net assets of the Group approximately HK$420,849,000, the Group should be able to secure additional loan facilities, if necessary;

(iii) Bank loan with carrying amount of approximately HK$40,207,000 as at 31 March 2017 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 2017 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; and

(iv) The controlling shareholder, who is also a director of the Company, has provided undertaking not to demand payment of director's discretionary bonus and director's loan totalling HK$19,650,000 as at 31 March 2017 owing to him by the Group until such time when payment will not affect the Group's abilities to repay other debts in the normal course of business.

3. BASIS OF PREPARATION – CONTINUED

(b) Basis of measurement – continued

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.

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(a) Business combination and basis of consolidation – continued

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(c) Property, plant and equipment – continued

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.

(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 live which is 40 years using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Impairment of other assets – continued

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) **Financial instruments – continued**

(i) **Financial assets – continued**

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.

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 subsidiary, amount due to a non-controlling shareholder of a subsidiary, amount due to a director and bank loans 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.

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 contact 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.

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) 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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Related parties – continued

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.

(p) 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.

(q) 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 2017 and 2016, 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.

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

(i) 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

(i) 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

(b) **Key sources of estimation uncertainty – continued**

(ii) **Impairment of trade and other receivables**

The Group's management determines the provision for impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers, the ageing of the receivables and prevailing market conditions. The management reassess the provision for impairment of trade and other receivables at each reporting date.

(iii) **Impairment assessment of property, plant and equipment**

The property, plant and equipment of the Group mainly included hotel property. At each reporting date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs to sell and/or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the property, plant and equipment to their recoverable amount. Such impairment losses are recognised in the statement of profit or loss. In the current year, hotel property is subject to impairment assessment and the recoverable amount of the hotel property has been determined based on fair value less costs to sell. Fair value less costs to sell is based on management estimates having regard to estimated resale values. Fair value less costs to sell is a level 3 fair value measurement.

(iv) **Going concern basis**

As explained in Note 3(b), the directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration as detailed in Note 3(b). The directors of the Company also believe that the Group will have working capital to meet its financial obligations when they fail due within the next twelve months from the end of the reporting period.

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 2017 and 2016, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

6. SEGMENT REPORTING – CONTINUED

(b) Information about major customers

The Group's customer base is diversified and there were four customers (2016: three) with whom transactions have exceeded 10% of the Group's revenue during the year as follows:

	2017 HK$'000	2016 HK$'000
Customer A	**16,818**	33,152
Customer B	–	41,254
Customer C	**35,072**	33,151
Customer D	**12,624**	–
Customer E	**11,989**	–
	76,503	107,557

7. REVENUE AND OTHER REVENUE

The Group's revenue represents the service provided, net of discounts.

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

	2017 HK$'000	2016 HK$'000
Revenue		
Hotel operations		
– Hotel room sales	**80,911**	129,274
– Food and beverage income	**3,660**	4,547
– Miscellaneous sales	**314**	391
	84,885	134,212
Other revenue		
Bank interest income	**2**	6
Gain on disposal of club membership	**3,000**	–
Sundry income	**206**	1,199
	3,208	1,205
	88,093	135,417

8. FINANCE COSTS

Finance costs comprise the following:

	2017 HK$'000	2016 HK$'000
Interest on bank loans (Note)	**545**	792
Bank charges	**213**	209
	758	1,001

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

	2017 HK$'000	2016 HK$'000
Profit before income tax is arrived at after charging the following:		
Cost of services provided	**25,298**	24,926
Auditor's remuneration	**570**	550
Depreciation of property, plant and equipment	**17,776**	17,672
Depreciation of investment property	**302**	302
Amortisation of intangible assets	**679**	1,167
Loss on disposal of property, plant and equipment	**–**	4
Provision for impairment loss on trade receivables	**17,192**	–
Staff costs (including directors' emoluments as disclosed in Note 13)		
– Salaries and allowances	**27,350**	45,580
– Retirement benefit cost	**1,024**	1,037

10. INCOME TAX EXPENSE

(a) Hong Kong profits tax is provided at the rate of 16.5% (2016: 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:

	2017	2016
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,198**	9,014
Over provision in prior years	**(20)**	(20)
	1,178	8,994
Deferred taxation (Note 23)		
Origination and reversal of temporary differences, net	**818**	1,028
Income tax expense	**1,996**	10,022

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

	2017	2016
	HK$'000	HK$'000
Profit before income tax	**1,324**	45,625
Tax at applicable tax rate of 16.5% (2016: 16.5%)	**218**	7,528
Tax effect of expenses not deductible for tax purposes	**181**	279
Tax effect of temporary differences not recognised	**1,473**	1,654
Tax effect of income not taxable for tax purposes	**(1)**	(1)
Over provision in prior years	**(20)**	(20)
Unrecognised tax losses	**145**	582
Income tax expense	**1,996**	10,022

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2016: Nil).

12. (LOSS)/EARNINGS PER SHARE

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

	2017	2016
	HK$'000	HK$'000
(Loss)/Profit for the year attributable to owners of the Company	**(516)**	35,759
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 2017 and 2016.

13. 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$'000	Discretionary bonus HK$'000	Total HK$'000
For the year ended 31 March 2017					
Executive directors					
Lun Yiu Kay Edwin	600	138	3	650	1,391
Ng Tze Ho Joseph	80	–	3	50	133
Suen Chui Fan#	298	9	–	–	307
	978	147	6	700	1,831
Independent non-executive directors					
Tse Kwing Chuen	160	–	–	50	210
Ng Hung Sui Kenneth	160	–	–	50	210
Lam Yiu Pang Albert*	70	–	–	22	92
Lau Shu Kan^	91	–	–	28	119
	481	–	–	150	631
Total	1,459	147	6	850	2,462

deceased on 2 February 2017

* resigned on 7 September 2016

^ appointed on 6 September 2016

13. 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	Salaries, allowances and benefits in kind	Retirement benefits scheme contribution	Discretionary bonus	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2016					
Executive directors					
Lun Yiu Kay Edwin	600	85	3	16,500	17,188
Ng Tze Ho Joseph	80	–	3	50	133
Suen Chui Fan	350	53	–	3,000	3,403
	1,030	138	6	19,550	20,724
Independent non-executive directors					
Tse Kwing Chuen	160	–	–	50	210
Ng Hung Sui Kenneth	160	–	–	50	210
Lam Yiu Pang Albert	160	–	–	50	210
	480	–	–	150	630
Total	1,510	138	6	19,700	21,354

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – CONTINUED

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2016: two) was director of the Company whose emolument is included in the disclosures above. The emoluments of the remaining four (2016: three) individuals were as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**1,619**	1,393
MPF contributions	**65**	46
	1,684	1,439

The emoluments of the remaining four (2016: three) individuals fell within the following bands:

	No. of individuals 2017	2016
Nil to HK$1,000,000	**4**	3

(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 (2016: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 April 2015	686,275	4,853	691,128
Additions	–	455	455
Disposals	–	(47)	(47)
At 31 March 2016 and 1 April 2016	686,275	5,261	691,536
Additions	–	555	555
Disposals	–	(8)	(8)
At 31 March 2017	686,275	5,808	692,083
Accumulated depreciation and impairment			
At 1 April 2015	175,859	3,244	179,103
Charged for the year	17,157	515	17,672
Written back on disposal	–	(43)	(43)
At 31 March 2016 and 1 April 2016	193,016	3,716	196,732
Charged for the year	17,157	619	17,776
Written back on disposal	–	(5)	(5)
At 31 March 2017	210,173	4,330	214,503
Net carrying value			
At 31 March 2017	476,102	1,478	477,580
At 31 March 2016	493,259	1,545	494,804

At 31 March 2017, the Group's hotel property was located in Hong Kong and was pledged to a bank for granting loans to the Group amounting to HK$49,643,000 (2016: HK$58,959,000)(Note 20).

15. INTANGIBLE ASSETS

	Licence for neonlight signage HK$'000
Cost	
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	14,000
Accumulated amortisation	
At 1 April 2015	12,154
Charged for the year	1,167
At 31 March 2016 and 1 April 2016	13,321
Charged for the year	679
At 31 March 2017	14,000
Net carrying value	
At 31 March 2017	–
At 31 March 2016	679

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.

16. INVESTMENT PROPERTY

	2017 HK$'000	2016 HK$'000
At cost		
Cost		
At beginning and end of year	**12,000**	12,000
Accumulated depreciation		
At beginning of year	**2,567**	2,265
Charged for the year	**302**	302
At end of year	**2,869**	2,567
Net carrying value		
At end of year	**9,131**	9,433

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.

17. CLUB MEMBERSHIP

The club membership is stated at cost less impairment. As the club membership did not have a quoted market price in an active market, its fair value could not be reliably measured.

The club membership was sold during the year at consideration of HK$4,350,000. The Group recognised a gain on disposal of club membership at amount of HK$3,000,000.

18. INVENTORIES

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

19. TRADE AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**24,457**	10,994
Less: Provision for impairment loss	**(17,192)**	–
	7,265	10,994
Deposits, prepayments and other receivables	**975**	920
	8,240	11,914

(a) The Group allows an average credit period of one week (2016: 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:

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**1,621**	6,355
31 – 60 days	–	4,639
61 – 90 days	**1,140**	–
Over 90 days	**4,504**	–
	7,265	10,994

19. TRADE AND OTHER RECEIVABLES – CONTINUED

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**1,621**	2,592
Within 30 days	–	4,841
31 – 60 days	–	3,561
61 – 90 days	**2,457**	–
Over 90 days	**3,187**	–
Amount past due but not impaired	**5,644**	8,402
	7,265	10,994

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

(c) At 31 March 2017, trade receivables of HK$1,621,000 (2016: HK$2,592,000) 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 significant credit risk on these trade receivables. Included in the Group's trade receivables balance of HK$5,644,000 (2016: HK$8,402,000) at 31 March 2017 were past due at 31 March 2017 against which the Group has not provided for impairment loss. The management believes that no impairment allowance is necessary in respect of these balances having considered the outstanding balances could be set off against the deposits. Normally, other than those receivables are secured by deposits, the Group does not hold any collateral over these balances.

19. TRADE AND OTHER RECEIVABLES – CONTINUED

(d) Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the year is as follows:

	2017 HK$'000	2016 HK$'000
At 1 April	–	–
Impairment loss recognised (Note 9)	**17,192**	–
At 31 March	**17,192**	–

At 31 March 2017, included in the allowance for doubtful debts are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than 90 days and the management assessed that none of these balances are expected to be recovered.

The Group recognised impairment loss based on the accounting policy stated in Note 4(i)(ii).

20. BANK LOANS

	2017 HK$'000	2016 HK$'000
Secured bank instalment loans	**49,643**	58,959

(a) All bank loans are denominated in HK$, carried at a variable interest rate with reference to HIBOR. At 31 March 2017, effective interest rate of the bank instalment loans is 1.00% (2016: 0.89%) per annum.

(b) All bank loans are secured by the first legal charge of the hotel property of the Group (Note 14) and the corporate guarantee from the Company.

20. BANK LOANS – CONTINUED

(c) Based on the scheduled repayment date set out in the loan agreements, the amounts repayable in respect of the instalment loans are as follows:

	2017 HK$'000	2016 HK$'000
On demand or within one year	**9,436**	9,340
More than one year, but not exceeding two years	**9,531**	9,423
More than two year, but not exceeding five years	**30,676**	28,777
After five years	**–**	11,419
	40,207	49,619
	49,643	58,959
Carrying amount of bank loans for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	**40,207**	49,619

21. SHARE CAPITAL

	2017 and 2016 Number of shares	Amount 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.

22. 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.

22. RESERVES – CONTINUED

(iii) Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contribution surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015	57,556	129	104,874	43,226	205,785
Loss and total comprehensive income for the year	–	–	–	(3,051)	(3,051)
At 31 March 2016 and 1 April 2016	57,556	129	104,874	40,175	202,734
Loss and total comprehensive income for the year	–	–	–	(91)	(91)
At 31 March 2017	57,556	129	104,874	40,084	202,643

23. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2016:16.5%). Movement in deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation HK$'000
At 1 April 2015	9,860
Charge to profit or loss (Note 10(a))	1,028
At 31 March 2016 and 1 April 2016	10,888
Charge to profit or loss (Note 10(a))	818
At 31 March 2017	11,706

23. DEFERRED TAX LIABILITIES – CONTINUED

Unrecognised temporary differences, represented by unutilised tax losses as at 31 March 2017 amounted to HK$87,120,000 (2016: HK$86,340,000), 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.

24. RELATED PARTY TRANSACTIONS

As at 31 March 2017, 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) During the year, the Group entered into the following transactions with the related parties:

Related party relationship	**Type of transaction**	**2017 HK$'000**	2016 HK$'000
Company controlled by the director	Sales of food and beverage	**26**	–
Company controlled by the director	Purchase of goods	–	20

(b) Amounts due from/(to) related parties, amount due to a director and amount due to a non-controlling shareholder of a subsidiary are all unsecured, interest-free and repayable on demand.

24. 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:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**2,456**	21,348
Contributions to retirement benefits schemes	**6**	6
	2,462	21,354

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

	No. of individuals 2017	 2016
Nil to HK$1,000,000	**6**	4
HK$1,000,001 to HK$1,500,000	**1**	–
HK$3,000,001 to HK$3,500,000	–	1
HK$17,000,001 to HK$17,500,000	–	1

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**2**	3
Interests in subsidiaries (Note 26)	**223,415**	226,090
Club membership	**–**	1,350
	223,417	227,443
Current assets		
Deposits and prepayments	**48**	49
Amounts due from related companies	**38**	38
Cash and bank balances	**6,832**	2,762
	6,918	2,849
Current liabilities		
Other payables and accrued charges	**600**	466
Amount due to a subsidiary	**874**	874
	1,474	1,340
Net current assets	**5,444**	1,509
Net assets	**228,861**	228,952
EQUITY		
Share capital	**26,218**	26,218
Reserves	**202,643**	202,734
Total equity	**228,861**	228,952

On behalf of the Board

Lun Yiu Kay Edwin *Director*	**Ng Tze Ho Joseph** *Director*

26. INTERESTS IN SUBSIDIARIES

	2017 HK$'000	2016 HK$'000
Unlisted shares, at cost	**500**	1
Amounts due from subsidiaries (Note (a))	**223,096**	226,271
	223,596	226,272
Less: Provision for impairment loss	**(181)**	(182)
	223,415	226,090

(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.

Particulars of the principal subsidiaries as at 31 March 2017 are set out below:

Name of subsidiary	Place of incorporation and operation	Particulars of capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
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.

27. NON-CONTROLLING INTERESTS

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:

	2017	2016
	HK$'000	HK$'000
For the year ended 31 March		
Revenue	**–**	–
Loss for the year	**318**	319
Total comprehensive income for the year	**318**	319
Loss for the year allocated to non-controlling interests	**156**	156
Net cash flows used in operating activities	**(1)**	(1)
Net decrease in cash and cash equivalents	**(1)**	(1)
As at 31 March		
Current assets	**23**	24
Non-current assets	**9,132**	9,434
Current liabilities	**(13,265)**	(13,250)
Net liabilities	**(4,110)**	(3,792)
Accumulated non-controlling interests	**(2,014)**	(1,858)

28. 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$49,643,000 (2016: HK$410,959,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$49,643,000 (2016: HK$58,959,000) as at 31 March 2017. 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 2017 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.

29. CAPTIAL 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 as disclosed in Note 20 and amount due to a director, less cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 21 and 22 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.

29. CAPTIAL RISK MANAGEMENT – CONTINUED

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

	2017 HK$'000	2016 HK$'000
Debts	**57,643**	58,959
Cash and cash equivalents	**(19,906)**	(12,745)
	37,737	46,214
Equity	**420,849**	421,521
Debt to equity ratio	**9%**	11%

30. 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.

30. 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.

30. FINANCIAL RISK MANAGEMENT – CONTINUED

(b) Liquidity risk – continued

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.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
2017			
Other payables, deposits received and accrued charges	26,219	26,219	26,219
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Amount due to a director	8,000	8,000	8,000
Bank loans	49,643	49,643	49,643
	90,276	90,276	90,276
2016			
Other payables, deposits received and accrued charges	31,071	31,071	31,071
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Bank loans	58,959	58,959	58,959
	96,444	96,444	96,444

Included in the interest-bearing bank loans are instalment 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".

30. FINANCIAL RISK MANAGEMENT – CONTINUED

(b) Liquidity risk – continued

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.

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

	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 2017	49,643	50,944	9,886	9,886	31,172	–
31 March 2016	58,959	60,615	9,827	9,827	29,479	11,482

(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 20. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

Sensitivity analysis

At 31 March 2017, 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$207,000 (2016: HK$246,000).

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 2016.

30. FINANCIAL RISK MANAGEMENT – CONTINUED

(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 2017 and 2016.

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2017 and 2016 may be categorised as follows:

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Trade and other receivables, net	**8,240**	11,575
Amounts due from related parties	**63**	38
Cash and bank balances	**19,906**	12,745
	28,209	24,358
Financial liabilities		
Other payables, deposits received and accrued charges	**26,219**	31,071
Amount due to a non-controlling shareholder of a subsidiary	**6,414**	6,414
Amount due to a director	**8,000**	–
Bank loans	**49,643**	58,959
	90,276	96,444

32. MATERIAL INTEREST OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in Note 24 "Related Party Transactions" of this report, no transaction, arrangement or contract of significance to the Company's business to which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly were entered into or subsisting during the financial year (2016:Nil).

33. LITIGATIONS

In 2009, Winland Mortgage Limited ("Winland Mortgage"), a wholly-owned subsidiary of the Company, took possession of a mortgage customer's property ("Property") due to default of mortgage loan repayment by the customer. Subsequently on 10 July 2009, Winland Mortgage entered into a provisional sales and purchase agreement with an independent third party ("Purchaser") for sale of the Property. The sale of the Property was completed on 17 December 2009, however, the Purchaser has not settled the balance of the consideration amounting to HK$4,550,000 ("Balance of Payment") up to the date of approval of these financial statements.

On 6 July 2015, Winland Mortgage applied a legal action (HCA1509/2015) against the Purchaser to recover the Balance of Payment by issuing the writ of summon. The proceedings are entering the listing stage and the hearing for case management summons would be heard in 20 July 2017. Up to the date of approval of these financial statements, the witness statements are not yet exchanged between the parties. In the opinion of the Group's legal advisor, it is unable to anticipate the likely outcome.

On 16 December 2015, the Purchaser applied a legal action (HCA2994/2015) against Winland Mortgage by issuing the writ of summon to claim for the damages of the misrepresentation made by Winland Mortgage to the Purchaser which induced the Purchaser from entering into the provisional agreement and also the assignment dated 17 December 2009 entered by Winland Mortgage and the Purchaser. No hearing date has been scheduled at the date of approval of these consolidated financial statements. As the proceedings is at very preliminary stage, no statement of claim is so far filed, the Group's legal advisor did not know what exact the cause of action the Purchaser relies on. In the opinion of the Group's legal advisor, it is unable to anticipate the likely outcome and difficult to give the estimated liability at this stage.

33. LITIGATIONS – CONTINUED

The directors are the opinion that the cases as mentioned above are still under preliminary stage and it is not possible to predict the outcome of these cases.

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 28 June 2017.

FINANCIAL SUMMARY

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Results					
Year ended 31 March					
Revenue	**84,885**	134,212	137,830	169,060	149,434
(Loss)/Profit attributable to equity holders of the Company	**(516)**	35,759	36,047	55,093	43,478
(Loss)/Profit and total comprehensive income attributable to owners of the Company	**(672)**	35,603	35,891	54,938	43,324
Assets and liabilities					
As at 31 March					
Total assets	**522,831**	531,103	559,983	569,205	595,446
Total liabilities	**(101,982)**	(109,582)	(174,065)	(219,178)	(300,779)
Non-controlling interests	**2,014**	1,858	1,702	1,546	1,391
Equity attributable to equity holders of the Company	**422,863**	423,379	387,620	351,573	296,058

PARTICULARS OF PRINCIPAL PROPERTY

HOTEL PROPERTY

Particulars of the Group's hotel property as at 31 March 2017 are as follows:

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

LAND

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

MEXAN LIMITED
茂 盛 控 股 有 限 公 司