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**MEXAN LIMITED**  
**茂盛控股有限公司\***

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

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

The board of directors (the “Board”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2014. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated accounts of the Group for the six months ended 30 September 2014 together with the comparative figures for the corresponding previous period are as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2014*

	Notes	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2014</b>	<b>2013</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>66,155</b>	90,498
Direct costs		<u><b>(12,235)</b></u>	<u>(11,859)</u>
Gross profit		<b>53,920</b>	78,639
Other revenue	2	<b>3</b>	4
Administrative expenses and other operating expenses		<b>(12,308)</b>	(11,407)
Depreciation and amortisation		<b>(8,772)</b>	(8,711)
Finance costs	4	<u><b>(743)</b></u>	<u>(1,270)</u>
Profit before income tax	5	<b>32,100</b>	57,255
Income tax expenses	6	<u><b>(6,996)</b></u>	<u>(10,994)</u>
Profit and total comprehensive income for the period		<u><b>25,104</b></u>	<u>46,261</u>

\* *For identification purpose only*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONTINUED)**

*For the six months ended 30 September 2014*

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
	Notes	<b>2014</b>	2013
		<b>HK\$'000</b>	HK\$'000
Profit and total comprehensive income attributable to:			
Owners of the Company		<b>25,179</b>	46,335
Non-controlling interests		<u><b>(75)</b></u>	<u>(74)</u>
		<u><b>25,104</b></u>	<u>46,261</u>
Earnings per share – basic and diluted (HK cents)	7	<u><b>1.921</b></u>	<u>3.535</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2014*

	Notes	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		520,359	528,915
Intangible assets		2,431	3,013
Investment property		9,887	10,037
Club membership		<u>1,350</u>	<u>1,350</u>
		<u>534,027</u>	<u>543,315</u>
<b>Current assets</b>			
Inventories		191	152
Trade receivables, deposits and prepayments	8	6,337	6,093
Amounts due from related companies	11(b)	-	8
Cash and bank balance		<u>14,385</u>	<u>19,637</u>
		<u>20,913</u>	<u>25,890</u>
<b>Current liabilities</b>			
Other payables, deposits received and accrued charges		18,228	48,518
Amounts due to a director	11(b)	21	21
Amounts due to a non-controlling shareholder of a subsidiary	11(b)	6,414	6,414
Bank loans	9	137,690	151,097
Tax payable		<u>7,596</u>	<u>4,309</u>
		<u>169,949</u>	<u>210,359</u>
<b>Net current liabilities</b>		<u>(149,036)</u>	<u>(184,469)</u>
<b>Total assets less current liabilities</b>		<u>384,991</u>	<u>358,846</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>9,860</u>	<u>8,819</u>
		<u>9,860</u>	<u>8,819</u>
<b>Net assets</b>		<u>375,131</u>	<u>350,027</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*As at 30 September 2014*

	Notes	<b>Unaudited 30 September 2014 HK\$'000</b>	<b>Audited 31 March 2014 HK\$'000</b>
<b>EQUITY</b>			
Share capital	10	<b>26,218</b>	26,218
Reserves		<u><b>350,534</b></u>	<u>325,355</u>
<b>Equity attributable to owners of the Company</b>		<b>376,752</b>	351,573
<b>Non-controlling interests</b>		<u><b>(1,621)</b></u>	<u>(1,546)</u>
<b>Total equity</b>		<u><u><b>375,131</b></u></u>	<u><u>350,027</u></u>

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2014 (the “Unaudited Condensed Interim Financial Information”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Unaudited Condensed Interim Financial Information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

The Unaudited Condensed Interim Financial Information has been prepared under the historical cost convention and the accounting policies of which are consistent with those of the Group’s annual audited financial statements for the year ended 31 March 2014 (the “2014 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 September 2014 are consistent with those used in the preparation of the 2014 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Standards (“HKFRS”) which include individual Hong Kong Financial Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations as disclosed below.

The Unaudited Condensed Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the year ended 31 March 2014 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

## **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED**

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which is relevant to and effective for the Group's financial statements for the annual financial period beginning on or after 1 April 2014.

Other than as note below, the adoption of these new or amend HKFRSs has had no material impact on the Unaudited Condensed Interim Financial Information.

### **Amendments to HKAS 32, Offsetting financial assets and financial liabilities**

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already by the Group.

## 2. TURNOVER

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

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Hotel operations		
- Hotel room sales	<b>63,386</b>	87,739
- Food and beverage income	<b>2,479</b>	2,591
- Miscellaneous sales	<b>290</b>	168
	<b>66,155</b>	90,498
Other revenues		
Bank interest income	<b>3</b>	4
	<b>66,158</b>	90,502

## 3. SEGMENT INFORMATION

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

#### 4. FINANCE COSTS

Finance costs comprise the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans not wholly repayable within five years	<b>590</b>	677
Interest on bank loans wholly repayable within five years	<b>148</b>	589
	<hr/>	<hr/>
Total borrowing costs incurred	<b>738</b>	1,266
Bank charges	<b>5</b>	4
	<hr/>	<hr/>
	<b>743</b>	1,270
	<hr/>	<hr/>

#### 5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived after charging the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of service provided	<b>12,235</b>	11,859
Staff costs	<b>11,256</b>	9,948
Depreciation of property, plant and equipment	<b>8,772</b>	8,711
Amortisation of intangible assets	<b>583</b>	583
Depreciation of investment property	<b>151</b>	151
	<hr/> <hr/>	<hr/> <hr/>



## 6. INCOME TAX EXPENSE

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

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax – Hong Kong Profits Tax	<b>5,955</b>	10,076
Deferred taxation	<b><u>1,041</u></b>	<u>918</u>
	<b><u><u>6,996</u></u></b>	<u><u>10,994</u></u>

## 7. EARNINGS PER SHARE

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<b><u><u>25,179</u></u></b>	<u><u>46,335</u></u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b><u><u>1,310,925</u></u></b>	<u><u>1,310,925</u></u>

There is no dilutive potential share for the six months ended 30 September 2014 and 30 September 2013.

## 8. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>Unaudited 30 September 2014 HK\$'000</b>	<b>Audited 31 March 2014 HK\$'000</b>
Trade receivables	5,359	4,829
Deposits and prepayments	<u>978</u>	<u>1,264</u>
	<u><b>6,337</b></u>	<u><b>6,093</b></u>

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

	<b>Unaudited 30 September 2014 HK\$'000</b>	<b>Audited 31 March 2014 HK\$'000</b>
Within 30 days	3,971	4,698
31 – 60 days	1,388	4
61 – 90 days	-	-
Over 90 days	<u>-</u>	<u>127</u>
	<u><b>5,359</b></u>	<u><b>4,829</b></u>

## 9. BANK LOANS

	<b>Unaudited 30 September 2014 HK\$'000</b>	Audited 31 March 2014 HK\$'000
Secured		
Bank instalment loans	<b>129,690</b>	146,097
Bank revolving loans	<b>8,000</b>	5,000
	<hr/>	<hr/>
Bank loans	<b><u>137,690</u></b>	<b><u>151,097</u></b>

- (a) All bank loans are denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 30 September 2014, the effective interest rate of the bank instalment loans and revolving loans are 0.86% and 2.17% (31 March 2014: 0.86% and 2.16%) per annum respectively.
- (b) The bank loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company and guarantees from the directors of the Group and their related companies.
- (c) The bank instalment loans are repayable in monthly instalments until May 2022 in accordance and the bank revolving loans are granted for a period of one to three months. In accordance with HK Interpretation 5, the Group's instalment loans of HK\$129,690,000 (31 March 2014: HK\$146,097,000) containing a repayment on demand clause has been classified as a current liability in its entirety.

Based on the scheduled repayment date set out in the loan agreements, the amounts repayable in respect of the installment and revolving loans are as follows:

	<b>Unaudited 30 September 2014 HK\$'000</b>	Audited 31 March 2014 HK\$'000
On demand or within one year	<b>24,436</b>	22,228
More than one year, but not exceeding two years	<b>16,578</b>	17,385
More than two years, but not exceeding five years	<b>50,595</b>	53,112
After five years	<b>46,081</b>	58,372
	<hr/> <b>113,254</b> <hr/>	<hr/> 128,869 <hr/>
Bank loans	<b><u>137,690</u></b>	<b><u>151,097</u></b>

## 10. SHARE CAPITAL

	Ordinary shares of HK\$0.02 each	
	Number of shares	HK\$'000
Authorised:		
At 31 March 2014, 1 April 2014 and 30 September 2014	<u>3,000,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 31 March 2014, 1 April 2014 and 30 September 2014	<u>1,310,925,244</u>	<u>26,218</u>

## 11. RELATED PARTY TRANSACTIONS

As at 30 September 2014, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which is incorporated in the British Virgin Islands.

Transactions between the Company and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

- (a) As at 30 September 2014, the Group's bank loans of HK\$137,690,000 (31 March 2014: HK\$151,097,000) were secured by personal guarantees from Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin, directors of the Company, and corporate guarantees from Winland Finance Limited, Winland Enterprises Limited and Falcome Company Limited in which Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin have beneficial interests.
- (b) Amounts due from related parties, amounts due to a director and amount due to a non controlling shareholder of a subsidiary are unsecured, interest free and repayable on demand.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the six months ended 30 September 2014 (2013: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

The Group mainly focuses on the operation of Mexan Harbour Hotel, a 800-room four-star hotel in Tsing Yi. For the six months ended 30 September 2014, the Group recorded a turnover of approximately HK\$66 million (2013: HK\$90 million) generated from hotel operations.

The profit before income tax for the period was HK\$32 million (2013: HK\$57 million), representing a decrease of 44% as compared with the corresponding period in last year.

Looking forward, the management will closely monitor any future fluctuations and uncertainties of the market, continues optimizing its earnings, implementing strict cost controls and keep on improving their quality of services to customers.

### **LIQUIDITY AND FINANCIAL INFORMATION**

As at 30 September 2014, the Group's total borrowings amounted to approximately HK\$138 million (31 March 2014: HK\$151 million). As at 30 September 2014, cash and bank balances amounted to approximately HK\$14 million (31 March 2014: HK\$20 million). The Group's net assets as at 30 September 2014 amounted to HK\$375 million (31 March 2014: HK\$350 million).

Gearing ratio of the Group that is expressed as a percentage of total borrowings to shareholders' funds was approximately 37% as at 30 September 2014 compared to approximately 43% as at 31 March 2014.

Of the Group's total borrowings as at 30 September 2014, approximately HK\$24 million (18%) would be due within one year, approximately HK\$17 million (12%) would be due in more than one year but not exceeding two years, approximately HK\$51 million (37%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$46 million (33%) would be due in more than five years.

The Group's total borrowings were denominated in HK\$, and bear a variable interest rate.

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

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2014, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

## **EMPLOYEE INFORMATION AND EMOLUMENT POLICY**

As at 30 September 2014, the total number of employees of the Group was approximately 127 (31 March 2014: 120). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme that covers all the eligible employees of the Group.

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

During the six months ended 30 September 2014, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2014 except for the following deviation:

Under the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in accordance with the Bye-laws, the Chairman and Managing Director are not subject to retirement by rotation or taken into account on determining the number of directors to retire. This constitutes a deviation from code provision A.4.2 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders of the Company as a whole.

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lam Yiu Pang Albert and Mr. Ng Hung Sui Kenneth are independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 15 September 2014 as they had other business engagement.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2014 and discussed with the management the accounting principles and practices and internal control of the Group.

## **REMUNERATION COMMITTEE**

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises four members, a majority of whom are independent non-executive directors. 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 September 2014.

## **APPRECIATION**

We would like to thank all of our customers, suppliers, shareholders, professional advisers and bankers for their continuous support and all members of our management and staff for their dedicated work and effort during the period under review.

By Order of the Board  
**MEXAN LIMITED**  
**Lun Yiu Kay Edwin**  
*Acting Chairman*

Hong Kong, 27 November 2014

*As at the date of this announcement, the executive directors are Mr. Lun Yiu Kay Edwin (Acting Chairman), Ms. Suen Chui Fan and Mr. Ng Tze Ho Joseph and the independent non-executive directors are Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert.*