



**MEXAN LIMITED**  
**茂盛控股有限公司**

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

# Annual Report 2016



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

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

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

Shareholders may send their request to receive the annual report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Branch Share Registrar of the Company at [is-ecom@hk.tricorglobal.com](mailto:is-ecom@hk.tricorglobal.com).

# CONTENTS

02	Corporate Information
03	Chairman's Statement
04	Management Discussion and Analysis
06	Corporate Governance Report
21	Directors' Report
31	Independent Auditor's Report
33	Consolidated Statement of Profit or Loss and Other Comprehensive Income
34	Consolidated Statement of Financial Position
36	Consolidated Statement of Changes in Equity
37	Consolidated Statement of Cash Flows
39	Notes to the Financial Statements
87	Financial Summary
88	Particulars of Principal Property

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors:*

Lun Yiu Kay Edwin (*Chairman*)  
Suen Chui Fan  
Ng Tze Ho Joseph

### *Independent Non-Executive Directors:*

Tse Kwing Chuen  
Ng Hung Sui Kenneth  
Lam Yiu Pang Albert

## COMPANY SECRETARY

Au Chung Shing

## PRINCIPAL BANKERS

Dah Sing Bank, Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

## AUDITOR

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Mexan Harbour Hotel  
Hotel 2, Rambler Crest  
No. 1 Tsing Yi Road  
Tsing Yi  
New Territories  
Hong Kong

## PRINCIPAL REGISTRARS

MUFG Fund Services (Bermuda) Limited  
26 Burnaby Street  
Hamilton  
HM 11  
Bermuda

## BRANCH REGISTRARS IN HONG KONG

Tricor Tengis Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITE

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

## STOCK CODE

22

# CHAIRMAN'S STATEMENT

I present the results and operations of MEXAN LIMITED (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016.

## RESULTS

The Group operates the Mexan Harbour Hotel. In 2015, the economy of Mainland China stayed in growth territory, resulting the average room rate increased from April to December 2015. It is because the average room rate decreased from January to March 2016, resulting the total income slightly 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

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hotel room sales	129,274	132,211	163,465	143,660
Food and beverage income	4,547	5,253	5,199	5,376
Miscellaneous sales	391	366	396	398
Turnover	134,212	137,830	169,060	149,434

## 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, 21 June 2016

# 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 98% for the year under review. In 2015, the economy of Mainland China stayed in growth territory, resulting the average room rate and occupancy rates increased from April to December 2015. It is because the average room rate decreased from January to March 2016, resulting the total income slightly 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 2016, the Group's total borrowings amounted to approximately HK\$59 million compared with approximately HK\$121 million as at 31 March 2015. The decrease of the Group's total borrowings was due to the repayment of significant amount of loan.

As at 31 March 2016, cash and bank balances amounted to approximately HK\$13 million compared with cash and bank balances of approximately HK\$24 million last year. The Group's net assets as at 31 March 2016 amounted to approximately HK\$422 million compared with approximately HK\$386 million last year.

Gearing ratio of the Group which expressed as a percentage of total borrowings to total equity was approximately 14% as at 31 March 2016 compared to approximately 31% as at 31 March 2015. Net gearing ratio of the Group which is expressed as a percentage of net borrowings (total borrowings less cash and bank balance) to total equity was approximately 11% compared with approximately 25% last year.

Of the Group's total borrowings as at 31 March 2016, approximately HK\$9 million would be due within one year and approximately HK\$50 million would be due repayment after one year which contain repayable on demand clause. The total borrowings were denominated in HK\$ and bear a variable interest rate.

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

## TREASURY POLICIES

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## EQUITY

Total equity of the Group as at 31 March 2016 was approximately HK\$422 million compared with approximately HK\$386 million last year. Total equity attributable to owners of the Company as at 31 March 2016 was approximately HK\$423 million compared with approximately HK\$388 million last year. The increase was resulted from the profit generated for the year.

## EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 March 2016, the total number of employees of Group was 119 (2015: 125). 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\$410,959,000 (2015: HK\$473,495,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK\$58,959,000 (2015: HK\$121,495,000) as at 31 March 2016. 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 2016 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 2016, he delegated the company secretary to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.
- (c) Under the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in accordance with the Bye-laws, the Chairman and Managing Director are not subject to retirement by rotation or taken into account on determining the number of Directors to retire. This constitutes a deviation from code provision of A.4.2 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of the Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders of the Company as a whole.



# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES – CONTINUED

- (d) Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. 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 2015 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 2016 and up to the date of this report were:

### Executive Directors

Lun Yiu Kay Edwin  
Suen Chui Fan  
Ng Tze Ho Joseph

### Independent Non-Executive Directors

Tse Kwing Chuen  
Ng Hung Sui Kenneth  
Lam Yiu Pang Albert

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS – CONTINUED

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS – CONTINUED

For the year ended 31 March 2016, other than resolutions passed by means of resolutions in writing of Directors, the Board held four meetings. The following table shows the attendance records of individual Director at the meetings of the Board held for the year ended 31 March 2016:

### Directors' Attendance

	Number of Board Meetings held during the Director's term of office during the year ended 31 March 2016	Number of meetings attended
<b>Executive Directors</b>		
Mr. Lun Yiu Kay Edwin (Chairman)	4	4
Ms. Suen Chui Fan	4	4
Mr. Ng Tze Ho Joseph	4	4
<b>Independent Non-Executive Directors</b>		
Dr. Tse Kwing Chuen	4	4
Mr. Ng Hung Sui Kenneth	4	4
Mr. Lam Yiu Pang Albert	4	4

# CORPORATE GOVERNANCE REPORT

## 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 2016, 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
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

### Board Diversity Policy

On 2014, the Board adopted the Board Diversity Policy. Under the Board Diversity Policy, the Nomination Committee will monitor the implementation of the Board Diversity Policy and give adequate consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board. The Board will regularly review the Board Diversity Policy and make appropriate revisions to ensure the effectiveness of the Board Diversity Policy.

### 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.

# CORPORATE GOVERNANCE REPORT

## 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 three executive directors, Mr. Lun Yiu Kay Edwin, Ms. Suen Chui Fan and Mr. Ng Tze Ho Joseph. Mr. Lun Yiu Kay Edwin is the chairman of the Executive Committee.

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

Name of Members	Number of Executive Committee meetings held during member's term of office during the year ended 31 March 2016	Number of meetings attended
Mr. Lun Yiu Kay Edwin (Chairman)	2	2
Ms. Suen Chui Fan	2	2
Mr. Ng Tze Ho Joseph	2	2

## REMUNERATION COMMITTEE

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

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE – CONTINUED

The major roles and functions of the Remuneration Committee are:

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



# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE – CONTINUED

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

Name of Members	Number of Remuneration Committee meeting held during the member's term of office during year ended 31 March 2016	Number of meetings attended
Mr. Lam Yiu Pang Albert (Chairman)	2	2
Mr. Lun Yiu Kay Edwin	2	2
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

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

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

## AUDIT COMMITTEE

The Audit Committee was established in March 1999 with specific written terms of reference and comprised of three members, all of them are Independent Non-Executive Directors. The Audit Committee comprises of three members, including Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. The chairman of the Audit Committee is Mr. Lam Yiu Pang Albert. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE – CONTINUED

The major roles and functions of the Audit Committee are:

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

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE – CONTINUED

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

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE – CONTINUED

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

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

Name of Members	Number of Audit Committee meetings held during the member's term of office during the year ended 31 March 2016	Number of meetings attended
Mr. Lam Yiu Pang Albert (Chairman)	2	2
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

Summary of work done for the year ended 31 March 2016:–

- review of final results and draft audited financial statements for the year ended 31 March 2016;
- review of interim results and draft unaudited financial statements for the six months ended 30 September 2015; 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 2016.

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

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

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

The major roles and functions of the Nomination Committee are:

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

During the year, 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 meeting held during the member's term of office during the year ended 31 March 2016	Number of meeting attended
Mr. Lun Yiu Kay Edwin (Chairman)	1	1
Mr. Lam Yiu Pang Albert	1	1
Dr. Tse Kwing Chuen	1	1

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE – CONTINUED

Summary of work done for the year ended 31 March 2016:

- 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 2016, the fees charged to the financial statements of the Company and its subsidiaries for statutory audit amounted to HK\$550,000.

## 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 2016, the Directors ensured that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for the timely publication of the financial statements of the Group.

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

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



# CORPORATE GOVERNANCE REPORT

## 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 2015 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 2015 to answer questions from the Shareholders. The chairman of the AGM had explained the procedures for conducting a poll during the meeting. All resolutions proposed at the AGM were voted separately by way of poll. All the votes cast at the said meeting were properly counted and recorded.

## CONSTITUTIONAL DOCUMENTS

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

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



# CORPORATE GOVERNANCE REPORT

## 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 regularly reviewed the effectiveness of the Company's internal control system with an aim to safeguard the shareholders' interests and the Company's assets. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Company's business objectives.

## 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 2016.

# 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 2016.

## PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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 2016 are set out in note 26 to the financial statements.

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

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement on pages 3 and the Management Discussion and Analysis on pages 4 to 5 of this Annual Report. This discussion forms part of this Directors' Report.

Besides, details of financial risk management of the Group are set out in note 30 the consolidated financial statements on pages 81 to 85. There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in future.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 33.

The state of affairs of the Group and the Company as at 31 March 2016 are set out in the statement of financial position on pages 34 to 35.

The cash flows of the Group are set out in the consolidated statement of cash flows on pages 37 and 38.

As at 31 March 2016, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$40,175,000 (2015: \$43,226,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2016 (2015: Nil).



# **DIRECTORS' REPORT**

## **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 36 and in note 22 to the financial statements respectively.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 87.

## **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 88.

## **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.

# DIRECTORS' REPORT

## ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to contributing to the sustainability of the environment and has implemented certain policies to minimise the impact on the environment from its business activities. The Group used recycled papers as printing materials and implemented energy saving practices in offices premises. During the Year, the Board is of the opinion that the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

The Group endeavours to refine the approach to addressing its environmental, social and ethical responsibilities along with improving our corporate governance and should generate greater value for all of our stakeholders including our shareholders, employees, customers, and suppliers as well as the communities.

## 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

Turnover attributable to the largest and the five largest customers accounted for 31% and 93% respectively of the turnover of the Group for the year.

The aggregate purchases attributable to the largest and the five largest suppliers were more than 53% and 72% 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  
Ng Tze Ho Joseph

*Independent Non-Executive Directors:*

Tse Kwing Chuen  
Ng Hung Sui Kenneth  
Lam Yiu Pang Albert

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ng Hung Sui Kenneth shall retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Pursuant to code provision A.4.2 of Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Mr. Lun Yiu Kay Edwin and Mr. Lam Yiu Pang Albert have been appointed as Directors on 19 April 2007 and were re-elected at 2013 annual general meeting and they have held office as the Directors for three years since his last re-election. Accordingly, Mr. Lun Yiu Kay Edwin, although not subject to retirement by rotation by virtue of their office as being Chairman and Managing Director under the Bye-Laws of the Company, together with Mr. Lam Yiu Pang Albert will voluntary retire for compliance with the requirement set out in code provision A.4.2 and offer themselves for re-election at the forthcoming annual general meeting.

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

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



# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

### *Executive Directors*

**Mr. Lun Yiu Kay Edwin**, aged 46, has been a Director and the Managing Director of the Company since April 2007 and has been a Chairman of the Company since December 2014. Mr. Lun holds a Bachelor's Degree in Science (Land Management) from the University of Reading, United Kingdom. He has over 17 years' experience in property investment, finance and management. He is also experienced in hotel management and in the tourism industry. Mr. Lun joined the Winland Group in 1994 and is currently a director of various companies in the Winland Group.

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

**Ms. Suen Chui Fan**, aged 74, joined Fook Shing Estate Group Limited in 1969, has over 40 years' experience in property investment and development, leasing and management. Ms. Suen joined the Winland Group in 2004 and is currently a director of several companies of the Winland Group. Ms. Suen Chui Fan is the mother of the Chairman, Mr. Lun Yiu Kay Edwin.

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

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – CONTINUED

Mr. Ng Tze Ho Joseph, aged 44, has been a Director since April 2007. Mr. Ng holds a Bachelor's Degree in Science (Quantity Surveying) from the University of Reading, United Kingdom. He has over 19 years' experience in property investment and development, leasing and management. Mr. Ng joined the Winland Group in 1997 and is currently a director of several companies in the Winland Group.

### *Independent Non-Executive Directors*

**Dr. Tse Kwing Chuen**, aged 65, 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 49, has been a Director since April 2007. He is also a member of the audit committee and remuneration committee of the Board. Mr. Ng obtained a Bachelor's Degree in Laws from the University of Hong Kong and is a solicitor practising in Hong Kong since 1992. He was also admitted as a solicitor in England and Wales in 1993 and as a legal practitioner in Tasmania, Australia in 1994. He is a partner of Ng, Au Yeung & Partners Solicitors & Notaries and is a Notary Public of Hong Kong. He is a member both of the Standing Committee on External Affairs and the Criminal Law & Procedure Committee of the Law Society of Hong Kong.

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

**Mr. Lam Yiu Pang Albert**, aged 69, has been a Director since April 2007. He is also the Chairman of the audit committee and the remuneration committee and a member of nomination committee of the Board. Mr. Lam obtained a Bachelor's Degree in Economics from the University of Tasmania, Australia. He is an associate member of The Institute of Chartered Accountants in Australia, and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 March 2016, 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 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.

# DIRECTORS' REPORT

## 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
Suen Chui Fan	Winland Hotel Management Limited (Note)	Hotel management	As director
	Winland Finance Limited	Money lending	As director

Note:

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

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

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

# DIRECTORS' REPORT

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

As at 31 March 2016, 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.

## MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year, except as disclosed in note 24 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company's holding company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

## MANAGEMENT CONTRACTS

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

# **DIRECTORS' REPORT**

## **PERMITTED INDEMNITY PROVISION**

The Company's Articles provides that every director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of duties of his/her office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to the director.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors.

## **REVIEW BY AUDIT COMMITTEE**

At the date of this report, the Audit Committee of the Company comprises three Independent Non-Executive Directors namely, Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. The Audit Committee has reviewed with the Group's auditors, BDO Limited, the audited financial statements for the year ended 31 March 2016 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, 21 June 2016



# INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288  
Fax : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## 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 33 to 86, which comprise the consolidated statements of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITY – CONTINUED

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**BDO Limited**

Certified Public Accountants

**Ng Wai Man**

Practising Certificate Number: P05309

Hong Kong, 21 June 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	134,212	137,830
Direct costs		(24,926)	(26,370)
Gross profit		109,286	111,460
Other revenue	7	1,205	672
Administrative and other operating expenses		(44,724)	(45,810)
Depreciation and amortisation		(19,141)	(19,055)
Finance costs	8	(1,001)	(1,312)
Profit before income tax	9	45,625	45,955
Income tax expense	10	(10,022)	(10,064)
Profit and total comprehensive income for the year		35,603	35,891
Profit and total comprehensive income attributable to:			
Owners of the Company		35,759	36,047
Non-controlling interests	27	(156)	(156)
		35,603	35,891
Earnings per share			
– basic and diluted (HK cents)	12	2.73	2.75

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	494,804	512,025
Intangible assets	15	679	1,846
Investment property	16	9,433	9,735
Club membership	17	1,350	1,350
		<b>506,266</b>	<b>524,956</b>
<b>Current assets</b>			
Inventories	18	140	145
Trade and other receivables	19	11,914	7,095
Amounts due from related parties	24(b)	38	58
Tax recoverable		–	3,307
Cash and bank balances		12,745	24,422
		<b>24,837</b>	<b>35,027</b>
<b>Current liabilities</b>			
Other payables, deposits received and accrued charges		31,071	36,291
Amount due to a non-controlling shareholder of a subsidiary	24(b)	6,414	6,414
Amounts due to related parties	24(b)	–	5
Bank loans	20	58,959	121,495
Tax payable		2,250	–
		<b>98,694</b>	<b>164,205</b>
<b>Net current liabilities</b>		<b>(73,857)</b>	<b>(129,178)</b>
<b>Total assets less current liabilities</b>		<b>432,409</b>	<b>395,778</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Total assets less current liabilities</b>		<b>432,409</b>	<b>395,778</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	23	10,888	9,860
<b>Net assets</b>		<b>421,521</b>	<b>385,918</b>
<b>EQUITY</b>			
Share capital	21	26,218	26,218
Reserves		397,161	361,402
<b>Equity attributable to owners of the Company</b>		<b>423,379</b>	<b>387,620</b>
<b>Non-controlling interests</b>	27	<b>(1,858)</b>	<b>(1,702)</b>
<b>Total equity</b>		<b>421,521</b>	<b>385,918</b>

On behalf of the Board

Lun Yiu Kay Edwin  
Director

Suen Chui Fan  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	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 2014	26,218	57,556	129	104,874	162,796	351,573	(1,546)	350,027
Profit and total comprehensive income for the year	–	–	–	–	36,047	36,047	(156)	35,891
At 31 March 2015 and 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	26,218	57,556	129	104,874	234,602	423,379	(1,858)	421,521

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Operating activities</b>			
Profit before income tax		45,625	45,955
Interest income	7	(6)	(6)
Interest expenses	8	792	1,304
Depreciation of property, plant and equipment	9	17,672	17,586
Depreciation of investment property	9	302	302
Amortisation of intangible assets	9	1,167	1,167
Discount received on the settlement of other payables	7	–	(206)
Loss on disposal of property, plant and equipment	9	4	12
Operating profit before working capital changes		65,556	66,114
Decrease in inventories		5	7
Increase in trade and other receivables		(4,819)	(1,002)
Decrease/(increase) in amounts due from related parties		20	(50)
Decrease in other payables, deposits received and accrued charges		(5,220)	(12,021)
Decrease in amount due to a director		–	(21)
(Decrease)/increase in amounts due to related parties		(5)	5
Net cash generated from operations		55,537	53,032
Interest received		6	6
Interest paid		(792)	(1,304)
Income tax paid		(3,437)	(16,639)
<b>Net cash generated from operating activities</b>		<b>51,314</b>	<b>35,095</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 HK\$'000	2015 HK\$'000
<b>Net cash used in investing activities</b>		
Purchases of property, plant and equipment	(455)	(708)
<b>Financing activities</b>		
Bank loans raised	—	33,000
Repayments of bank loans	(62,536)	(62,602)
<b>Net cash used in financing activities</b>	(62,536)	(29,602)
<b>(Decrease)/increase in cash and cash equivalents</b>	(11,677)	4,785
<b>Cash and cash equivalents at beginning of year</b>	24,422	19,637
<b>Cash and cash equivalents at end of year</b>	12,745	24,422
<b>Analysis of the balances of cash and cash equivalents</b>		
<b>Cash and bank balances</b>	12,745	24,422

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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.

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

At the date of approval of these financial statements, certain new or amended HKFRSs have been issued but are not yet effective, and have not been early adopted by the Group for the year ended 31 March 2016.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

### HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

#### HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 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 not 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.

The directors of the Company will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

# NOTES TO THE FINANCIAL STATEMENTS

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

### (c) New Hong Kong Companies Ordinance relating to the presentation of financial Statements

The Group has adopted the amendments to the Rules Governing the Listing of Securities issued by the HKEx relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year.

The directors consider that there is no impact on the Group’s financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the preparation and disclosures in the consolidated financial statements.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. BASIS OF PREPARATION – CONTINUED

### (b) Basis of measurement – continued

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

The consolidated financial statements have been prepared on a going concern basis, notwithstanding the fact that the Group had a net current liabilities of HK\$73,857,000 (2015: HK\$129,178,000) as at 31 March 2016.

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) A consistent cash inflow arising from steady hotel room sales is expected for the coming year,
- (ii) With the profitable hotel business and net assets of approximately HK\$421,521,000, the Group should be able to secure additional loan facilities, if necessary; and
- (iii) Bank loan with carrying amount of approximately HK\$49,619,000 as at 31 March 2016 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 2016 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 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. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern. Should the Company be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their estimated realisable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in these financial statements.

### (c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”) which is also the functional currency of the Company.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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, amounts due to related parties 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (i) Financial instruments – continued

#### (iv) Effective interest method

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

#### (v) Equity instruments

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

#### (vi) Financial guarantee contracts

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

#### (vii) Derecognition

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (j) Income taxes

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (k) Cash and cash equivalents

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

### (l) Provisions and contingent liabilities

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

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

### (m) Revenue recognition

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### (n) Employee benefits

#### (i) Employee leave entitlements

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

#### (ii) Retirement scheme obligations

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2016 and 2015, the Group has one single business segment, namely hotel operation.

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

#### Classification of the leasehold land

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

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

### (b) Key sources of estimation uncertainty

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2016 and 2015, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

### (b) Information about major customers

The Group's customer base is diversified and there were three customers (2015: three) with whom transactions have exceeded 10% of the Group's revenue during the year as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A	33,152	15,645
Customer B	41,254	47,325
Customer C	33,151	39,828
	107,557	102,798

# NOTES TO THE FINANCIAL STATEMENTS

## 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:

	2016 HK\$'000	2015 HK\$'000
Revenue		
Hotel operations		
– Hotel room sales	129,274	132,211
– Food and beverage income	4,547	5,253
– Miscellaneous sales	391	366
	134,212	137,830
Other revenue		
Bank interest income	6	6
Discount received on the settlement of other payables	–	206
Sundry income	1,199	460
	1,205	672
	135,417	138,502



# NOTES TO THE FINANCIAL STATEMENTS

## 8. FINANCE COSTS

Finance costs comprise the following:

	2016 HK\$'000	2015 HK\$'000
Interest on bank loans		
– wholly repayable within five years (Note)	–	162
– not wholly repayable within five years (Note)	792	1,142
Total borrowing costs incurred	792	1,304
Bank charges	209	8
	1,001	1,312

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax is arrived at after charging the following:		
Cost of services provided	24,926	26,370
Auditor's remuneration	550	530
Depreciation of property, plant and equipment	17,672	17,586
Depreciation of investment property	302	302
Amortisation of intangible assets	1,167	1,167
Loss on disposal of property, plant and equipment	4	12
Staff costs (including directors' emoluments as disclosed in Note 13)		
– Salaries and allowances	45,580	48,188
– Retirement benefit cost	1,037	1,056

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INCOME TAX EXPENSE

- (a) Hong Kong profits tax is provided at the rate of 16.5% (2015: 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:

	2016 HK\$'000	2015 HK\$'000
<u>Current tax – Hong Kong Profits Tax</u>		
Provision for the year	9,014	9,020
(Over)/Under provision in prior years	(20)	3
	8,994	9,023
<u>Deferred taxation (Note 23)</u>		
Origination and reversal of temporary differences, net	1,028	1,041
Income tax expense	10,022	10,064

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	45,625	45,955
Tax at applicable tax rate of 16.5% (2015: 16.5%)	7,528	7,582
Tax effect of expenses not deductible for tax purposes	1,933	1,917
Tax effect of income not taxable for tax purposes	(1)	(1)
(Over)/Under –provision in prior years	(20)	3
Unrecognised tax losses	582	563
Income tax expense	10,022	10,064

# NOTES TO THE FINANCIAL STATEMENTS

## 11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2015: Nil).

## 12. EARNINGS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Profit for the year attributable to owners of the Company	35,759	36,047
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 2016 and 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2016					
<u>Executive directors</u>					
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
<u>Independent non-executive directors</u>					
Tse Kwing Chuen	160	–	–	50	210
Ng Hung Sui Kenneth	160	–	–	50	210
Lam Yiu Pang Albert	160	–	–	50	210
	480	–	–	150	630
Total	1,510	138	6	19,700	21,354

# NOTES TO THE FINANCIAL STATEMENTS

## 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 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 2015					
<u>Executive directors</u>					
Lun Chi Yim *	350	277	–	–	627
Lun Yiu Kay Edwin	533	31	2	17,000	17,566
Ng Tze Ho Joseph	80	–	1	50	131
Suen Chui Fan	350	37	–	3,000	3,387
	1,313	345	3	20,050	21,711
<u>Independent non-executive directors</u>					
Tse Kwing Chuen	160	–	–	50	210
Ng Hung Sui Kenneth	160	–	–	50	210
Lam Yiu Pang Albert	160	–	–	50	210
	480	–	–	150	630
Total	1,793	345	3	20,200	22,341

\* deceased on 30 October 2014

# NOTES TO THE FINANCIAL STATEMENTS

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

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2015: three) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2015: two) individuals were as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	1,393	1,546
MPF contributions	46	34
	1,439	1,580

The emoluments of the remaining three (2015: two) individuals fell within the following bands:

	No. of individuals	
	2016	2015
Nil to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	–	1

- (c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2015: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 14. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost			
At 1 April 2014	686,275	4,162	690,437
Additions	–	708	708
Disposals	–	(17)	(17)
At 31 March 2015 and 1 April 2015	686,275	4,853	691,128
Additions	–	455	455
Disposals	–	(47)	(47)
At 31 March 2016	686,275	5,261	691,536
Accumulated depreciation			
At 1 April 2014	158,702	2,820	161,522
Charged for the year	17,157	429	17,586
Written back on disposals	–	(5)	(5)
At 31 March 2015 and 1 April 2015	175,859	3,244	179,103
Charged for the year	17,157	515	17,672
Written back on disposals	–	(43)	(43)
At 31 March 2016	193,016	3,716	196,732
Net carrying value			
At 31 March 2016	493,259	1,545	494,804
At 31 March 2015	510,416	1,609	512,025

At 31 March 2016, the Group's hotel property was located in Hong Kong under medium-term lease and was pledged to a bank for granting loans to the Group amounting to HK\$58,959,000 (2015: HK\$121,495,000)(Note 20).

# NOTES TO THE FINANCIAL STATEMENTS

## 15. INTANGIBLE ASSETS

	Licence for neonlight signage HK\$'000
Cost	
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	14,000
Accumulated amortisation	
At 1 April 2014	10,987
Charged for the year	1,167
At 31 March 2015 and 1 April 2015	12,154
Charged for the year	1,167
At 31 March 2016	13,321
Net carrying value	
At 31 March 2016	679
At 31 March 2015	1,846

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



# NOTES TO THE FINANCIAL STATEMENTS

## 16. INVESTMENT PROPERTY

	2016 HK\$'000	2015 HK\$'000
At cost		
Cost		
At beginning and end of year	12,000	12,000
Accumulated depreciation		
At beginning of year	2,265	1,963
Charged for the year	302	302
At end of year	2,567	2,265
Net carrying value		
At end of year	9,433	9,735

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. CLUB MEMBERSHIP

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

### 18. INVENTORIES

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

### 19. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	10,994	5,915
Deposits, prepayments and other receivables	920	1,180
	11,914	7,095

- (a) The Group allows an average credit period of one week (2015: 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:

	2016 HK\$'000	2015 HK\$'000
Within 30 days	6,355	5,915
31-60 days	4,639	—
	10,994	5,915

# NOTES TO THE FINANCIAL STATEMENTS

## 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:

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	2,592	3,535
Within 30 days	4,841	2,380
31-60 days	3,561	–
Amount past due but not impaired	8,402	2,380
	10,994	5,915

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

At 31 March 2016, trade receivables of HK\$2,592,000 (2015: HK\$3,535,000) are neither past due nor impaired. The Group considers the credit quality of the trade receivables within the credit limit set by the Group using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade debtors and did not identify any significant credit risk on these trade receivables. Included in the Group's trade receivables balance of HK\$8,402,000 (2015: HK\$2,380,000) at 31 March 2016 were past due at 31 March 2016 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 repayment history of the relevant customers and their up-to-date settlement made. Normally, other than those receivables are secured by deposits, the Group does not hold any collateral over these balances.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. BANK LOANS

	2016 HK\$'000	2015 HK\$'000
Secured bank instalment loans	58,959	121,495

- (a) All bank loans are denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 31 March 2016, effective interest rate of the bank instalment loans is 0.89% (2015: 0.87%) per annum.
- (b) All bank loans are secured by the first legal charge of the hotel property of the Group (Note 14), the corporate guarantee from the Company and guarantees from the directors of the Company and their related companies.
- (c) Based on the scheduled repayment date set out in the loan agreements, the amounts repayable in respect of the instalment loans are as follows:

	2016 HK\$'000	2015 HK\$'000
On demand or within one year	9,340	16,516
More than one year, but not exceeding two years	9,423	16,660
More than two year, but not exceeding five years	28,777	50,524
After five years	11,419	37,795
	49,619	104,979
	58,959	121,495
Carrying amount of bank loans for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	49,619	104,979

# NOTES TO THE FINANCIAL STATEMENTS

## 21. SHARE CAPITAL

	2016 and 2015 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2014	57,556	129	104,874	46,575	209,134
Loss and other comprehensive income for the year	–	–	–	(3,349)	(3,349)
At 31 March 2015 and 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	57,556	129	104,874	40,175	202,734

## 23. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2015: 16.5%). Movement in deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation HK\$'000
At 1 April 2014	8,819
Charge to profit or loss (Note 10(a))	1,041
At 31 March 2015 and 1 April 2015	9,860
Charge to profit or loss (Note 10(a))	1,028
At 31 March 2016	10,888

# NOTES TO THE FINANCIAL STATEMENTS

## 23. DEFERRED TAX LIABILITIES – CONTINUED

Unrecognised temporary differences, represented by unutilised tax losses as at 31 March 2016 amounted to HK\$86,340,000 (2015: HK\$82,811,000), 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 2016, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which was incorporated in the British Virgin Islands.

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

- (a) As at 31 March 2016, the Group's bank loans of HK\$58,959,000 (2015: HK\$121,495,000) were secured by personal guarantees from Mr. Lun Yiu Kay Edwin, director of the Company, and corporate guarantees from Winland Enterprises Limited in which Mr. Lun Yiu Kay Edwin has beneficial interests.
- (b) Amounts due from/(to) related parties and amount due to a non-controlling shareholder of a subsidiary are all unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

## 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:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	21,348	22,338
Contributions to retirement benefits schemes	6	3
	21,354	22,341

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

	No. of individuals 2016	2015
Nil to HK\$1,000,000	4	5
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$17,000,001 to HK\$17,500,000	1	–
HK\$17,500,001 to HK\$18,000,000	–	1

- (d) The rental expenses of the outdoor billboard advertisement during the cover period from 2 April 2015 to 30 April 2015 were waived by Winland Investment Holding Limited in which Mr. Lun Yiu Kay Edwin has beneficial interest during the year.



# NOTES TO THE FINANCIAL STATEMENTS

## 25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3	1
Interests in subsidiaries	226,090	230,054
Club membership	1,350	1,350
	227,443	231,405
<b>Current assets</b>		
Deposits and prepayments	49	47
Amounts due from related companies	38	38
Cash and bank balances	2,762	1,981
	2,849	2,066
<b>Current liabilities</b>		
Other payables and accrued charges	466	594
Amount due to a subsidiary	874	874
	1,340	1,468
<b>Net current assets</b>	1,509	598
<b>Net assets</b>	228,952	232,003
<b>EQUITY</b>		
Share capital	26,218	26,218
Reserves	202,734	205,785
<b>Total equity</b>	228,952	232,003

On behalf of the Board

Lun Yiu Kay Edwin  
Director

Suen Chui Fan  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## 26. INTERESTS IN SUBSIDIARIES

	2016 HK\$'000	2015 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note (a))	226,271	230,235
	226,272	230,236
Less: Provision for impairment loss	(182)	(182)
	226,090	230,054

- (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 2016 are set out below:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 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:

	2016 HK\$'000	2015 HK\$'000
For the year ended 31 March		
Revenue	–	–
Loss for the year	319	319
Total comprehensive income for the year	319	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	24	24
Non-current assets	9,434	9,736
Current liabilities	(13,250)	(13,233)
Net liabilities	(3,792)	(3,473)
Accumulated non-controlling interests	(1,858)	(1,702)

# NOTES TO THE FINANCIAL STATEMENTS

## 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\$410,959,000 (2015: HK\$473,495,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK\$58,959,000 (2015: HK\$121,495,000) as at 31 March 2016. 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 2016 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. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes bank loans disclosed in Note 20, 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 29. CAPITAL RISK MANAGEMENT – CONTINUED

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

	2016 HK\$'000	2015 HK\$'000
Debts	58,959	121,495
Cash and cash equivalents	(12,745)	(24,422)
	46,214	97,073
Equity	421,521	385,918
Debt to equity ratio	11%	25%

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

The Group relies on bank loans as a significant source of liquidity. As at 31 March 2016, the Group had total available unutilised short-term bank loan facilities of approximately HK\$352,000,000 (2015: HK\$352,000,000).

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL RISK MANAGEMENT – CONTINUED

### (b) Liquidity risk – continued

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000
<u>2016</u>			
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
<u>2015</u>			
Other payables, deposits received and accrued charges	36,291	36,291	36,291
Amounts due to related companies	5	5	5
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Bank loans	121,495	121,495	121,495
	164,205	164,205	164,205

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”.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL RISK MANAGEMENT – CONTINUED

### (b) Liquidity risk – continued

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 2016	58,959	60,615	9,827	9,827	29,479	11,482
31 March 2015	121,495	125,350	17,504	17,504	52,512	37,830

### (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 2016, 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\$246,000 (2015: HK\$507,000).

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 2015.



# NOTES TO THE FINANCIAL STATEMENTS

## 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 2016 and 2015.

## 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 2016 and 2015 may be categorised as follows:

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Trade and other receivables	11,575	5,938
Amounts due from related parties	38	58
Cash and bank balances	12,745	24,422
	24,358	30,418
Financial liabilities		
Other payables, deposits received and accrued charges	31,071	36,291
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414
Amounts due to related parties	–	5
Bank loans	58,959	121,495
	96,444	164,205

# NOTES TO THE FINANCIAL STATEMENTS

## 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 (2015: 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 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. No hearing date has been scheduled at the date of approval of these consolidated financial statements.

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 for sales and purchase agreement dated 10 July 2009 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.

The directors are of 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 21 June 2016.

## FINANCIAL SUMMARY

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Results					
Year ended 31 March					
Revenue	134,212	137,830	169,060	149,434	96,964
Profit attributable to equity holders of the Company	35,759	36,047	55,093	43,478	16,873
Total comprehensive income attributable to owners of the Company	35,603	35,891	54,938	43,324	16,717
Assets and liabilities					
As at 31 March					
Total assets	531,103	559,983	569,205	595,446	617,243
Total liabilities	(109,582)	(174,065)	(219,178)	(300,779)	(365,900)
Non-controlling interests	1,858	1,702	1,546	1,391	1,237
Equity attributable to equity holders of the Company	423,379	387,620	351,573	296,058	252,580

## PARTICULARS OF PRINCIPAL PROPERTY

### HOTEL PROPERTY

Particulars of the Group's hotel property as at 31 March 2016 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 Territories Hong Kong (certain lots)	165,748.30	2047	51%



**MEXAN LIMITED**  
茂盛控股有限公司