



# MEXAN LIMITED 茂盛控股有限公司

*(Incorporated in Bermuda with limited liability)*

Stock Code: 22



INTERIM  
REPORT

2016/17

*This interim 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 interim report posted on the Company Website will promptly upon request be sent the interim 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 interim 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 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).

Shareholders who have chosen to receive printed copy of the Corporate Communication in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

## **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

Lau Shu Kan

### **COMPANY SECRETARY**

Au Chung Shing

### **PRINCIPAL BANKERS**

Dah Sing Bank, Limited

The Hongkong and Shanghai Banking  
Corporation Limited

### **AUDITORS**

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

### **REGISTERED OFFICE**

Clarendon House

Church Street

Hamilton

HM 11

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 REGISTRAR**

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road Pembroke HM08

Bermuda

### **BRANCH REGISTRAR 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

The board of directors (the “Board”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated accounts of the Group for the six months ended 30 September 2016 together with the comparative figures for the corresponding previous period are as follows:

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

*For the six months ended 30 September 2016*

	Notes	<b>Unaudited Six months ended 30 September 2016 HK\$'000</b>	<b>2015 HK\$'000</b>
Revenue	4	<b>46,616</b>	76,764
Direct costs		<b>(12,270)</b>	(12,380)
Gross profit		<b>34,346</b>	64,384
Other revenue	4	<b>1</b>	5
Administrative and other operating expenses		<b>(11,732)</b>	(12,279)
Depreciation and amortisation		<b>(9,611)</b>	(9,556)
Finance costs	6	<b>(359)</b>	(697)
Profit before income tax	7	<b>12,645</b>	41,857
Income tax	8	<b>(3,199)</b>	(8,063)
Profit and total comprehensive income for the period		<b>9,446</b>	33,794
Profit and total comprehensive income attributable to:			
Owners of the Company		<b>9,520</b>	33,869
Non-controlling interests		<b>(74)</b>	(75)
		<b>9,446</b>	33,794
Earnings per share – basic and diluted (HK cents)	9	<b>0.726</b>	2.584

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2016*

		<b>Unaudited 30 September 2016 HK\$'000</b>	<b>Audited 31 March 2016 HK\$'000</b>
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>486,369</b>	494,804
Intangible assets		<b>97</b>	679
Investment property		<b>9,283</b>	9,433
Club membership		<b>1,350</b>	1,350
		<b>497,099</b>	506,266
<b>Current assets</b>			
Inventories		<b>129</b>	140
Trade and other receivables	10	<b>20,290</b>	11,914
Amounts due from related parties	13(b)	<b>38</b>	38
Cash and bank balances		<b>21,313</b>	12,745
		<b>41,770</b>	24,837
<b>Current liabilities</b>			
Other payables, deposits received and accrued charges		<b>33,110</b>	31,071
Amount due to a non-controlling shareholder of a subsidiary	13(b)	<b>6,414</b>	6,414
Bank loans	11	<b>54,297</b>	58,959
Tax payable		<b>2,768</b>	2,250
		<b>96,589</b>	98,694

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2016

	Note	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
<b>Net current liabilities</b>		<b>(54,819)</b>	<b>(73,857)</b>
<b>Total assets less current liabilities</b>		<b>442,280</b>	<b>432,409</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>11,313</b>	10,888
<b>Net assets</b>		<b>430,967</b>	<b>421,521</b>
<b>EQUITY</b>			
Share capital	12	<b>26,218</b>	26,218
Reserves		<b>406,681</b>	397,161
Equity attributable to owners of the Company		<b>432,899</b>	423,379
Non-controlling interests		<b>(1,932)</b>	(1,858)
<b>Total equity</b>		<b>430,967</b>	<b>421,521</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 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
(Unaudited)								
At 1 April 2015	26,218	57,556	129	104,874	198,843	387,620	(1,702)	385,918
Profit and total comprehensive for the period	-	-	-	-	33,869	33,869	(75)	33,794
At 30 September 2015	26,218	57,556	129	104,874	232,712	421,489	(1,777)	419,712
At 1 April 2016	26,218	57,556	129	104,874	234,602	423,379	(1,858)	421,521
Profit and total comprehensive income for the period	-	-	-	-	9,520	9,520	(74)	9,446
At 30 September 2016	26,218	57,556	129	104,874	244,122	432,899	(1,932)	430,967

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
	Notes	<b>2016</b>	2015
		<b>HK\$'000</b>	HK\$'000
<b>Operating activities</b>			
Profit before income tax		<b>12,645</b>	41,857
Interest income	4	<b>(1)</b>	(5)
Interest expenses	6	<b>250</b>	491
Depreciation of property, plant and equipment	7	<b>8,879</b>	8,822
Depreciation of investment property	7	<b>150</b>	151
Amortisation of intangible assets	7	<b>582</b>	583
Operating profit before working capital changes		<b>22,505</b>	51,899
Decrease in inventories		<b>11</b>	16
Increase in trade and other receivables		<b>(8,376)</b>	(2,240)
Decrease in amounts due from related parties		<b>–</b>	20
Increase/(decrease) in other payables, deposits received and accrued charges		<b>2,039</b>	(18,669)
Decrease in amounts due to related parties		<b>–</b>	(5)
Net cash generated from operations		<b>16,179</b>	31,021
Interest received		<b>1</b>	5
Interest paid		<b>(250)</b>	(491)
Income tax paid		<b>(2,256)</b>	–
<b>Net cash generated from operating activities</b>		<b>13,674</b>	30,535



## **CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** (Continued)

*For the six months ended 30 September 2016*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(446)	(145)
Proceeds from disposal of property, plant and equipment	2	–
<b>Net cash used in investing activities</b>	<b>(444)</b>	<b>(145)</b>
<b>Net cash used in financing activities</b>		
Repayments of bank loans	(4,662)	(32,931)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>8,568</b>	<b>(2,541)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>12,745</b>	<b>24,422</b>
<b>Cash and cash equivalents at end of period</b>	<b>21,313</b>	<b>21,881</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
<b>Cash and bank balances</b>	<b>21,313</b>	<b>21,881</b>

## **NOTES TO CONDENSED INTERIM 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 interim report.

The Company is an investment holding company. The Company and its subsidiaries are collectively referred to as the “Group”.

### **2. BASIS OF PREPARATION**

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2016 (the “Unaudited Condensed Interim Financial Information”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

The Unaudited Condensed Interim Financial Information has been prepared on a going concern basis, notwithstanding the fact that the Group had a net current liabilities of HK\$54,819,000 (31 March 2016: HK\$73,857,000 (audited)) as at 30 September 2016.

## **2. BASIS OF PREPARATION (Continued)**

In the opinion of the directors, the Group is able to maintain itself as a going concern in the next twelve months by taking into consideration that:

- (i) A consistent cash inflow arising from steady hotel room sales is expected for the next twelve months;
- (ii) With the profitable hotel business and net assets of approximately HK\$430,967,000, the Group should be able to secure additional loan facilities, if necessary; and
- (iii) Bank loan with carrying amount of approximately HK\$44,912,000 as at 30 September 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 30 September 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.

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 the Unaudited Condensed Interim Financial Information on a going concern basis. Accordingly, the Unaudited Condensed Interim Financial Information has been prepared on a going concern basis and does 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 the Unaudited Condensed Interim Financial Information.

### 3. PRINCIPAL ACCOUNTING POLICIES

The Unaudited Condensed Interim Financial Information has been prepared under the historical cost convention and the accounting policies of which are consistent with those of the Group's annual audited financial statements for the year ended 31 March 2016 (the "2016 Annual financial Statements") as described thereof.

The accounting policies adopted for the six months ended 30 September 2016 are consistent with those used in the preparation of the 2016 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations as disclosed below.

The Unaudited Condensed Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the year ended 31 March 2016 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA, which relevant to and effective for of the Group's financial statements for the annual financial period beginning on or after 1 April 2016.

Annual Improvements to HKFRSs 2012-2014 Cycle

Amendments to HKAS1, Presentation of financial statements: Disclosure Initiative

Except as explained below, the adoption of these amendments had no material impact on the Group's Unaudited Condensed Interim Financial Information.

#### ***Annual Improvements to HKFRSs 2012-2014 Cycle***

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

### **3. PRINCIPAL ACCOUNTING POLICIES (Continued)**

#### ***Amendments to HKAS 1, Presentation of financial statements: Disclosure Initiative***

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective, and have not been early adopted by the Group.

#### ***Amendments to HKAS 7 – Disclosure Initiative***

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

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

HKFRS 9 (2014) 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 (2014) 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.

### 3. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

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

HKFRS 9 (2014) 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 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### ***HKFRS 15 – Revenue from Contracts with Customers***

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

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

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

### **3. PRINCIPAL ACCOUNTING POLICIES (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.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group’s accounting policies and financial statements.

#### 4. 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:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue		
Hotel operations		
– Hotel room sales	<b>44,596</b>	73,663
– Food and beverage income	<b>1,666</b>	2,181
– Miscellaneous sales	<b>354</b>	920
	<b>46,616</b>	76,764
Other revenue		
Bank interest income	<b>1</b>	5
	<b>46,617</b>	76,769

#### 5. SEGMENT INFORMATION

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.



## 6. FINANCE COSTS

Finance costs comprise the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans	<b>250</b>	491
Bank charges	<b>109</b>	206
	<b>359</b>	697

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived after charging the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of service provided	<b>12,270</b>	12,380
Staff costs	<b>12,320</b>	11,742
Depreciation of property, plant and equipment	<b>8,879</b>	8,822
Amortisation of intangible assets	<b>582</b>	583
Depreciation of investment property	<b>150</b>	151

## 8. INCOME TAX

Hong Kong profits tax is provided at the rate of 16.5% (six month ended 30 September 2015: 16.5%) on the estimated assessable profits for the period.

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

	<b>Unaudited Six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax – Hong Kong Profits Tax	<b>2,774</b>	7,638
Deferred taxation	<b>425</b>	425
	<b>3,199</b>	8,063

## 9. EARNINGS PER SHARE

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

	<b>Unaudited Six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<b>9,520</b>	33,869
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	<b>1,310,925</b>	1,310,925

There is no dilutive potential share for the six months ended 30 September 2016 and 2015.

## 10. TRADE AND OTHER RECEIVABLES

	<b>Unaudited</b> <b>30 September</b> <b>2016</b> <b>HK\$'000</b>	<b>Audited</b> <b>31 March</b> <b>2016</b> <b>HK\$'000</b>
Trade receivables	<b>18,582</b>	10,994
Deposits, prepayments and other receivables	<b>1,708</b>	920
	<b>20,290</b>	11,914

- (a) The Group allows average credit period of one week (31 March 2016: one week) to its trade customers. All trade receivables are expected to be recovered within one year. The following is an ageing analysis of trade receivables, based on invoice date and net of allowance, at the end of the reporting period:

	<b>Unaudited</b> <b>30 September</b> <b>2016</b> <b>HK\$'000</b>	<b>Audited</b> <b>31 March</b> <b>2016</b> <b>HK\$'000</b>
Within 30 days	<b>7,750</b>	6,355
31 – 60 days	<b>5,146</b>	4,639
61 – 90 days	<b>3,942</b>	–
Over 90 days	<b>1,744</b>	–
	<b>18,582</b>	10,994

## 11. BANK LOANS

	<b>Unaudited 30 September 2016 HK\$'000</b>	Audited 31 March 2016 HK\$'000
Secured bank instalment loans	<b>54,297</b>	58,959

- (a) All bank loans are denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 30 September 2016, the effective interest rate of the bank instalment loans is 0.89% (31 March 2016: 0.89%) per annum.
- (b) All bank loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company and guarantees from the directors of the 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 installment loans are as follows:

	<b>Unaudited 30 September 2016 HK\$'000</b>	Audited 31 March 2016 HK\$'000
On demand or within one year	<b>9,385</b>	9,340
More than one year, but not exceeding two years	<b>9,469</b>	9,423
More than two years, but not exceeding five years	<b>28,913</b>	28,777
After five years	<b>6,530</b>	11,419
	<b>44,912</b>	49,619
	<b>54,297</b>	58,959

Carrying amount of bank loans for repayment after one year which contain a repayment on demand clause (shown under current liabilities)

<b>44,912</b>	49,619
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## 12. SHARE CAPITAL

	<b>30 September 2016</b>		<b>31 March 2016</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
	<b>of shares</b>	<b>HK\$'000</b>	<b>of shares</b>	<b>HK\$'000</b>
Authorised:				
Ordinary shares of HK\$0.02 each	<b>3,000,000,000</b>	<b>60,000</b>	3,000,000,000	60,000
Issued and fully paid:				
Ordinary shares of HK\$0.02 each	<b>1,310,925,244</b>	<b>26,218</b>	1,310,925,244	26,218

## 13. RELATED PARTY TRANSACTIONS

As at 30 September 2016, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which is incorporated in the British Virgin Islands.

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

- (a) As at 30 September 2016, the Group's bank loans of HK\$54,297,000 (31 March 2016: HK\$58,959,000) 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 related parties and amount due to a non-controlling shareholder of a subsidiary are all unsecured, interest-free and repayable on demand.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the six months ended 30 September 2016 (2016: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

The Group mainly focuses on the operation of Mexan Harbour Hotel, a 800-room four-star hotel in Tsing Yi. For the six months ended 30 September 2016, the Group recorded a total revenue of approximately HK\$47 million (for six months ended 30 September 2015: HK\$77 million) generated from hotel operations.

The profit before income tax for the period was HK\$13 million (for the six month ended 30 September 2015: HK\$42 million), representing a decrease of 69% as compared with the corresponding period in last year.

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

### **LIQUIDITY AND FINANCIAL INFORMATION**

As at 30 September 2016, the Group's total borrowings amounted to approximately HK\$54 million (31 March 2016: HK\$59 million). As at 30 September 2016, cash and bank balances amounted to approximately HK\$21 million (31 March 2016: HK\$13 million). The Group's net assets as at 30 September 2016 amounted to HK\$431 million (31 March 2016: HK\$422 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 13% as at 30 September 2016 compared to approximately 14% as at 31 March 2016.

Of the Group's total borrowings as at 30 September 2016, approximately HK\$9 million (17%) would be due within one year, approximately HK\$9 million (17%) would be due in more than one year but not exceeding two years, approximately HK\$29 million (54%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$7 million (12%) would be due in more than five years.

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

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

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2016, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

## **EMPLOYEE INFORMATION AND EMOLUMENT POLICY**

As at 30 September 2016, the total number of employees of the Group was approximately 114 (31 March 2016: 119). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

During the six months ended 30 September 2016, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

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

As at 30 September 2016, the interests and short positions of the Directors 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 Securities and Futures Ordinance ("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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### **(1) LONG POSITIONS IN SHARES OF THE COMPANY**

<b>Name of Director</b>	<b>No. of shares of HK\$0.02 each held</b>	<b>Capacity and nature of interest</b>	<b>Approximate shareholding percentage as at</b>
			<b>30 September 2016 (%)</b>
Lun Yiu Kay Edwin (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.



## (2) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATION

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity/nature of interest	Shareholding percentage as at 30 September 2016 (%)
Winland Stock (BVI) Limited	Lun Chi Yim (deceased)	1	Beneficial owner/ Personal interest	100
Winland Wealth (BVI) Limited	Lun Yiu Kay Edwin	1	Interest of controlled corporation/Corporate interest	100

Save as disclosed above, as at 30 September 2016, none of the Directors of the Company or any of their respective associates had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which are required to be recorded under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the six months ended 30 September 2016 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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\$0.02 each held	Capacity	Approximate shareholding percentage as at 30 September 2016 (%)
Winland Wealth (BVI) Limited (Note i)	Long	723,148,037	Beneficial owner	55.16
Winland Stock (BVI) Limited (Note ii)	Long	723,148,037	Interest of controlled corporation	55.16

Notes:

- i. Mr. Lun Yiu Kay Edwin (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.

Save as disclosed above, as at 30 September 2016, none of the substantial shareholder or other persons, other than the Directors or chief executive of the Company, had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2016 except for the following deviation:

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

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ng Hung Sui Kenneth is an independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 7 September 2016 as he had other business engagement.

## **CHANGE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES**

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this Report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report. The change of Director's information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

Mr. Lau Shu Kan was appointed as an independent non-executive director of the Company with effect from 6 September 2016. Mr. Lau Shu Kan was appointed as the chairman of Audit Committee and Remuneration Committee and the member of Nomination Committee with effect from 7 September 2016.

Mr. Lam Yiu Pang Albert resigned as an independent non-executive director of the Company, the chairman of Audit Committee and Remuneration Committee and the member of Nomination Committee with effect from 7 September 2016.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2016 and discussed with the management the accounting principles and practices and internal control of the Group.

## **REMUNERATION COMMITTEE**

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises four members, a majority of whom are independent non-executive directors. The role and function of the Remuneration Committee is to review, discuss and approve the remuneration mechanism of the directors and senior management of the Company and to establish and maintain a reasonable and competitive remuneration level in order to attract and retain the directors and senior management.

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

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 September 2016.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the publicly available information and to the best of the Directors' knowledge the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules during the Period.

## **APPRECIATION**

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

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

Hong Kong, 25 November 2016