



**MEXAN LIMITED**

**茂盛控股有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 22)



Interim  
Report  
2017/18

*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*)

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 2017. The results have been reviewed by the Audit Committee. The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2017 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 2017*

	Notes	Unaudited Six months ended 30 September 2017 HK\$'000	2016 HK\$'000
Revenue	4	<b>30,055</b>	46,616
Direct costs		<b>(12,130)</b>	(12,270)
Gross profit		<b>17,925</b>	34,346
Other revenue	4	<b>2,351</b>	1
Administrative and other operating expenses		<b>(10,612)</b>	(11,732)
Depreciation and amortisation		<b>(9,073)</b>	(9,611)
Finance costs	6	<b>(264)</b>	(359)
Profit before income tax	7	<b>327</b>	12,645
Income tax expense	8	<b>(1,054)</b>	(3,199)
(Loss)/Profit and total comprehensive income for the period		<b>(727)</b>	9,446
(Loss)/Profit and total comprehensive income attributable to:			
Owners of the Company		<b>(652)</b>	9,520
Non-controlling interests		<b>(75)</b>	(74)
		<b>(727)</b>	9,446
(Losses)/Earnings per share – basic and diluted (HK cents)	9	<b>(0.050)</b>	0.726

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>469,109</b>	477,580
Investment property		<b>8,981</b>	9,131
		<b>478,090</b>	486,711
<b>Current assets</b>			
Inventories		<b>122</b>	67
Trade and other receivables	11	<b>4,410</b>	8,240
Amounts due from related companies	14(a)	<b>38</b>	63
Tax recoverable		<b>7,206</b>	7,844
Cash and bank balances		<b>16,636</b>	19,906
		<b>28,412</b>	36,120
<b>Current liabilities</b>			
Other payables, deposits received and accrued charges		<b>20,890</b>	26,219
Amount due to a non-controlling shareholder of a subsidiary	14(a)	<b>6,414</b>	6,414
Amount due to a director	14(a)	<b>2,000</b>	8,000
Bank loans	12	<b>44,958</b>	49,643
		<b>74,262</b>	90,276

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2017

		Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
	Note		
<b>Net current liabilities</b>		<b>(45,850)</b>	<b>(54,156)</b>
<b>Total assets less current liabilities</b>		<b>432,240</b>	<b>432,555</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		12,118	11,706
<b>Net assets</b>		<b>420,122</b>	<b>420,849</b>
<b>EQUITY</b>			
Share capital	13	26,218	26,218
Reserves		395,993	396,645
Equity attributable to owners of the Company		422,211	422,863
Non-controlling interests		(2,089)	(2,014)
<b>Total equity</b>		<b>420,122</b>	<b>420,849</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2017*

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
(Audited)								
At 1 April 2016	26,218	57,556	129	104,874	234,602	423,379	(1,858)	421,521
Profit and total comprehensive for the period	-	-	-	-	9,520	9,520	(74)	9,446
(Unaudited)								
At 30 September 2016	26,218	57,556	129	104,874	244,122	432,899	(1,932)	430,967
(Audited)								
At 1 April 2017	26,218	57,556	129	104,874	234,086	422,863	(2,014)	420,849
Loss and total comprehensive income for the period	-	-	-	-	(652)	(652)	(75)	(727)
(Unaudited)								
At 30 September 2017	26,218	57,556	129	104,874	233,434	422,211	(2,089)	420,122

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2017

		<b>Unaudited Six months ended 30 September</b>	
	Notes	<b>2017</b>	2016
		<b>HK\$'000</b>	HK\$'000
<b>Operating activities</b>			
Profit before income tax		<b>327</b>	12,645
Interest income	4	<b>(1)</b>	(1)
Interest expenses	6	<b>251</b>	250
Depreciation of property, plant and equipment	7	<b>8,922</b>	8,879
Depreciation of investment property	7	<b>151</b>	150
Amortisation of intangible assets	7	<b>–</b>	582
Reversal of provision for impairment loss of trade receivables		<b>(2,350)</b>	–
Operating profit before working capital changes		<b>7,300</b>	22,505
(Increase)/Decrease in inventories		<b>(55)</b>	11
Decrease/(Increase) in trade and other receivables		<b>6,180</b>	(8,376)
Decrease in amounts due from related companies		<b>25</b>	–
(Decrease)/Increase in other payables, deposits received and accrued charges		<b>(5,329)</b>	2,039
Net cash generated from operations		<b>8,121</b>	16,179
Interest received		<b>1</b>	1
Interest paid		<b>(251)</b>	(250)
Income tax paid		<b>(4)</b>	(2,256)
<b>Net cash generated from operating activities</b>		<b>7,867</b>	13,674



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the six months ended 30 September 2017

	Notes	Unaudited Six months ended 30 September 2017 HK\$'000	2016 HK\$'000
<b>Investing activities</b>			
Purchases of property, plant and equipment		(452)	(446)
Proceeds from disposal of property, plant and equipment		–	2
<b>Net cash used in investing activities</b>		<b>(452)</b>	<b>(444)</b>
<b>Financing activities</b>			
Repayments of bank loans		(4,685)	(4,662)
Repayment of loan to a director		(6,000)	–
<b>Net cash used in financing activities</b>		<b>(10,685)</b>	<b>(4,662)</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(3,270)</b>	<b>8,568</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>19,906</b>	<b>12,745</b>
<b>Cash and cash equivalents at end of year</b>		<b>16,636</b>	<b>21,313</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
<b>Cash and bank balances</b>		<b>16,636</b>	<b>21,313</b>

## **NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED 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 AND ACCOUNTING POLICIES**

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2017 (the “Unaudited Condensed Interim Financial Statements”) 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 Statements is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

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

The Unaudited Condensed Interim Financial Statements has been prepared on a going concern basis, notwithstanding the fact that the Group had a net current liabilities of HK\$45,850,000 (31 March 2017: HK\$54,156,000 (audited)) as at 30 September 2017.

### **3. PRINCIPAL ACCOUNTING POLICIES (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) The net assets of approximately HK\$420,122,000, the Group should be able to secure additional loan facilities, if necessary;
- (ii) Bank loan with carrying amount of approximately HK\$35,510,000 as at 30 September 2017 that is repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreement, with repayment on demand clause, has been classified as current liability as at 30 September 2017 in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements–Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. Taking into account the Group’s financial position and the securities underlying the loan, the directors believe that the bank will not exercise its discretionary rights to demand immediate repayment. The directors believe that the bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement; and
- (iii) The controlling shareholder who is also a director of the Company, has provided undertaking not to demand payment of director’s discretionary bonus and director’s loan totally HK\$13,000,000 as at 30 September 2017, owing to him by the group such time when payment will not affect the Group’s abilities to repay other debts in the normal course of business.

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 Statements on a going concern basis.

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

The Unaudited Condensed Interim Financial Statements 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 2017 (the "2017 Annual Financial Statements") as described thereof.

The accounting policies adopted for the six months ended 30 September 2017 are consistent with those used in the preparation of the 2017 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRS") which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations as disclosed below.

The Unaudited Condensed Interim Financial Statements 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 2017 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 consolidated financial statements for the annual financial period beginning on or after 1 April 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments to HKFRSs had no material impact on the Group's Unaudited Condensed Interim 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>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue		
Hotel operations		
– Hotel room sales	<b>28,258</b>	44,596
– Food and beverage income	<b>1,646</b>	1,666
– Miscellaneous sales	<b>151</b>	354
	<b>30,055</b>	46,616
Other revenue		
Bank interest income	<b>1</b>	1
Reversal of provision for impairment loss of trade receivables	<b>2,350</b>	–
	<b>2,351</b>	1
	<b>32,406</b>	46,617

#### 5. SEGMENT INFORMATION

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

## 6. FINANCE COSTS

Finance costs comprise the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans	<b>251</b>	250
Bank charges	<b>13</b>	109
	<b>264</b>	359

## 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>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Cost of service provided	<b>12,130</b>	12,270
Staff costs	<b>12,152</b>	12,320
Depreciation of property, plant and equipment	<b>8,922</b>	8,879
Amortisation of intangible assets	–	582
Depreciation of investment property	<b>151</b>	150

## 8. INCOME TAX EXPENSE

Hong Kong profits tax is provided at the rate of 16.5% (six month ended 30 September 2016: 16.5%) on the estimated assessable profits for the period.

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax – Hong Kong Profits Tax	<b>640</b>	2,774
Deferred taxation	<b>414</b>	425
	<b>1,054</b>	3,199

## 9. (LOSSES)/EARNINGS PER SHARE

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/Profit for the period attributable to owners of the Company	<b>(652)</b>	9,520

### Number of shares

Weighted average number of ordinary shares for the purpose of basic losses/earnings per share ('000)	<b>1,310,925</b>	1,310,925
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There is no dilutive potential share for the six months ended 30 September 2017 and 2016.

## 10. INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

## 11. TRADE AND OTHER RECEIVABLES

	<b>Unaudited 30 September 2017 HK\$'000</b>	<b>Audited 31 March 2017 HK\$'000</b>
Trade receivables	<b>18,465</b>	24,457
Less: Provision for impairment loss	<b>(14,842)</b>	(17,192)
	<b>3,623</b>	7,265
Deposits, prepayments and other receivables	<b>787</b>	975
	<b>4,410</b>	8,240

- (a) The Group allows average credit period of a week (31 March 2017: one week) to its trade customers. All the trade receivables are expected to be recovered within one year. The following is an ageing analysis of trade receivables, net of allowance, at the end of the reporting period:

	<b>Unaudited 30 September 2017 HK\$'000</b>	<b>Audited 31 March 2017 HK\$'000</b>
Within 30 days	<b>3,623</b>	1,621
61 – 90 days	–	1,140
Over 90 days	–	4,504
	<b>3,623</b>	7,265



## 12. BANK LOANS

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Secured bank instalment loans	<b>44,958</b>	49,643

- (a) All bank loans are denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 30 September 2017, the effective interest rate of the bank instalment loans is 1.06% (31 March 2017: 1.00%) per annum.
- (b) The bank loans are secured by the first legal charge of the hotel property of the Group.

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

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
On demand or within one year	<b>9,448</b>	9,436
More than one year, but not exceeding two years	<b>9,549</b>	9,531
More than two years, but not exceeding five years	<b>25,961</b>	30,676
	<b>35,510</b>	40,207
Bank loans	<b>44,958</b>	49,643
Carrying amount of bank loans for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	<b>35,510</b>	44,207

### 13. SHARE CAPITAL

	30 September 2017 (Unaudited)		31 March 2017 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
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

### 14. RELATED PARTY TRANSACTIONS

As at 30 September 2017, 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) Amounts due from related companies, amount due to a director and amount due to a non-controlling shareholder of a subsidiary are all unsecured, interest-free and repayable on demand.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the six months ended 30 September 2017 (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 2017, the Group recorded a turnover of approximately HK\$30 million (for six months ended September 2016: HK\$47 million) generated from hotel operations.

The profit before income tax for the period was HK\$0.3 million (for the six month ended 30 September 2016: HK\$13 million), representing a decrease of 97% 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 2017, the Group's bank loans amounted to approximately HK\$45 million (31 March 2017: HK\$50 million). As at 30 September 2017, cash and bank balances amounted to approximately HK\$17 million (31 March 2017: HK\$20 million). The Group's net assets as at 30 September 2017 amounted to HK\$420 million (31 March 2017: HK\$421 million).

Gearing ratio of the Group which is expressed as a percentage of debts, which include bank loans and amount due to a director, total equity was approximately 11% as at 30 September 2017 compared to approximately 14% as at 31 March 2017.

Of the Group's bank loans as at 30 September 2017, approximately HK\$9 million (21%) would be due within one year, approximately HK\$10 million (21%) would be due in more than one year but not exceeding two years, approximately HK\$26 million (58%) would be due in more than two years but not exceeding five years.

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

The above borrowings were secured by the hotel property.

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in HK\$. As at 30 September 2017, 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 2017, the total number of employees of the Group was approximately 112 (31 March 2017: 106). 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 2017, 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 2017, 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

Name of Director	No. of shares of HK\$0.02 each held	Capacity and nature of interest	Approximate shareholding percentage as at 30 September 2017 (%)
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. Letters of Administration dated 12 August 2015 was granted by the Probate Registry in Hong Kong respect of the late Mr. Lun Chi Yim's estate in Hong Kong.

## (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 2017 (%)
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 2017, 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 2017 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 2017, the following corporations and persons, other than the Directors whose interests are disclosed above, who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Long/short position	No. of shares of HK\$0.02 each held	Capacity/ nature of interest	Approximate shareholding percentage as at 30 September 2017 (%)
Winland Wealth (BVI) Limited (Note i)	Long	723,148,037	Beneficial owner/ Personal interest	55.16
Winland Stock (BVI) Limited (Note ii)	Long	723,148,037	Interest of controlled corporation/ Corporate interest	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 2017, 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 2017 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 6 September 2017 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.

## **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 2017 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 2017.



## **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, 28 November 2017