MEXAN LIMITED
茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

Interim Report
2018/19

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

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

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

AUDITOR
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, Winland 800 Hotel
Hotel 2, Rambler Crest
No. 1 Tsing Yi Road
Tsing Yi
New Territories
Hong Kong

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

BRANCH REGISTRAR IN HONG KONG
Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE
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 2018. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018 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 2018

	Notes	**Unaudited Six months ended 30 September 2018 HK$'000**	2017 HK$'000
Revenue	5	**34,206**	30,055
Direct costs		**(10,800)**	(12,130)
Gross profit		**23,406**	17,925
Other revenue	5	**81**	1
Administrative and other operating expenses		**(12,151)**	(10,612)
Depreciation and amortisation		**(9,165)**	(9,073)
Written back of impairment loss on trade receivables		**1,505**	2,350
Finance costs	7	**(386)**	(264)
Profit before income tax	8	**3,290**	327
Income tax expense	9	**(1,474)**	(1,054)
Profit/(Loss) and total comprehensive income for the period		**1,816**	(727)
Profit/(Loss) and total comprehensive income attributable to:			
Owners of the Company		**1,891**	(652)
Non-controlling interests		**(75)**	(75)
		1,816	(727)
Earning/(Loss) per share – basic and diluted (HK cents)	10	**0.135**	(0.050)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**Unaudited 30 September 2018 HK$'000**	Audited 31 March 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**620,995**	461,097
Investment property		**8,679**	8,829
		629,674	469,926
Current assets			
Inventories		**112**	151
Trade and other receivables	12	**1,811**	6,019
Amounts due from related parties	15(a)	**38**	68
Cash and bank balances		**37,830**	22,945
		39,791	29,183
Current liabilities			
Other payables, deposits received and accrued charges		**23,183**	20,363
Amount due to a non-controlling shareholder of a subsidiary	15(a)	**6,414**	6,414
Amount due to a director	15(a)	**8,250**	–
Bank loan	13	**35,612**	40,284
Tax payable		**1,139**	14
		74,598	67,075

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2018

	Notes	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Net current liabilities		**(34,807)**	(37,892)
Total assets less current liabilities		**594,867**	432,034
Non-current liabilities			
Deferred tax liabilities		**12,075**	11,449
Net assets		**582,792**	420,585
EQUITY			
Share capital	14	**39,328**	26,218
Reserves		**545,710**	396,538
Equity attributable to owners of the Company		**585,038**	422,756
Non-controlling interests		**(2,246)**	(2,171)
Total equity		**582,792**	420,585

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(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
(Audited)								
At 1 April 2018	**26,218**	**57,556**	**129**	**104,874**	**233,979**	**422,756**	**(2,171)**	**420,585**
Issue of shares	**13,110**	**147,281**	**–**	**–**	**–**	**160,391**	**–**	**160,391**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,891**	**1,891**	**(75)**	**1,816**
(Unaudited)								
At 30 September 2018	**39,328**	**204,837**	**129**	**104,874**	**235,870**	**585,038**	**(2,246)**	**582,792**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2018

	Notes	Unaudited Six months ended 30 September **2018** **HK$'000**	 2017 HK$'000
Operating activities			
Profit before income tax		**3,290**	327
Interest income	5	**(63)**	(1)
Interest expense	7	**365**	251
Depreciation of property, plant and equipment	8	**9,014**	8,922
Depreciation of investment property	8	**151**	151
Written back of impairment loss on trade receivables	8	**(1,505)**	(2,350)
Operating profit before working capital changes		**11,252**	7,300
Decrease/(Increase) in inventories		**39**	(55)
Decrease in trade and other receivables		**5,713**	6,180
Decrease in amounts due from related parties		**30**	25
Increase/(Decrease) in other payables, deposits received and accrued charges		**2,820**	(5,329)
Net cash generated from operations		**19,854**	8,121
Interest received		**63**	1
Interest paid		**(365)**	(251)
Income tax paid		**(2)**	(4)
Net cash generated from operating activities		**19,550**	7,867

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the six months ended 30 September 2018

	Notes	Unaudited Six months ended 30 September **2018** **HK$'000**	 2017 HK$'000
Investing activity			
Purchases of property, plant and equipment		**(168,634)**	(452)
Net cash used in investing activity		**(168,634)**	(452)
Financing activities			
Issue of shares		**160,391**	–
Repayments of bank loan		**(4,672)**	(4,685)
Drawdown/(Repayment) of advance from a director		**8,250**	(6,000)
Net cash generated from/(used in) financing activities		**163,969**	(10,685)
Increase/(Decrease) in cash and cash equivalents		**14,885**	(3,270)
Cash and cash equivalents at beginning of period		**22,945**	19,906
Cash and cash equivalents at end of period		**37,830**	16,636
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**37,830**	16,636

NOTES TO UNAUDITED 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 AND ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2018 (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$34,807,000 (31 March 2018: HK$37,892,000 (audited)) as at 30 September 2018.

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$582,792,000, the Group should be able to secure additional loan facilities, if necessary;

(ii) Bank loan with carrying amount of approximately HK$35,612,000 as at 30 September 2018 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 2018 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$19,250,000 as at 30 September 2018, 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 2018 (the "2018 Annual Financial Statements") as described thereof.

The accounting policies adopted for the six months ended 30 September 2018 are consistent with those used in the preparation of the 2018 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 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 2018 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 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property

Save as disclosed in note 4, the application of other new or revised HKFRSs in the current interim period has no material effect on the amounts reported in the condensed consolidated interim financial statements and/or disclosures set out in the condensed consolidated interim financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the condensed consolidated interim financial statements.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the condensed consolidated interim financial statements and also discloses the new accounting policies that have been effective from 1 April 2018, where they are different to those applied in prior periods.

(a) HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement to the Group's financial statements since 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the interim condensed consolidated financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) *HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)*

(i) *Classification and measurement of financial instruments (Continued)*

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39	Carrying amount as at 1 April 2018 under HKFRS 9
			HK$'000	HK$'000
Trade receivables	Loans and receivables	Amortised cost	5,103	5,103
Deposits and other receivables	Loans and receivables	Amortised cost	296	296
Amount due from related parties	Loans and receivables	Amortised cost	68	68
Cash and bank balances	Loans and receivables	Amortised cost	22,945	22,945

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has measured loss allowances for trade receivables, deposits and other receivables and amounts due from related parties based on 12-month ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

– Impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL, trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward looking estimates. As at 30 September 2018, the directors of the Company considered that the default risk for the trade receivables is low and the lifetime ECL allowance is insignificant as at 30 September 2018.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

– Impairment of deposits and other receivables

Other financial assets at amortised cost of the Group mainly represents deposits and other receivables. The Group has applied the ECL model and the impact is considered insignificant to the Group. No ECL is recognised upon the transition to HKFRS 9 as of 1 April 2018 and for the six months ended 30 September 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 31 March 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(iv) Transition (Continued)

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group considered that the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 April 2018) is insignificant. As a result, the financial information presented for the year ended 31 March 2018 has not been restated.

The adoption of HKFRS 15 has no material impact on the Group's interim condensed consolidated statement of financial position as at 30 September 2018 and interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018.

The new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's revenues are explained by the following major sources:–

– Hotel room leasing income

– Hotel room sales to walk-in customers

– Food and beverage income

– Miscellaneous sales

Revenue from hotel room leasing income continues to be accounted for in accordance with HKAS 17 "Leases".

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Revenue from hotel room sales to walk-in customers is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from food and beverage service and miscellaneous sales is recognised at a point in time when the goods are transferred or the services are provided to the customers, being at the point that the customers have received the services or obtained control of the goods.

5. REVENUE AND OTHER REVENUE

Revenue represents the hotel room leasing income, hotel room sales to walk-in customers, food and beverage income and miscellaneous sales, net of discounts.

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

	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000
Revenue		
Hotel operations in Hong Kong		
– Hotel room leasing income	**24,742**	24,376
– Hotel room sales to walk-in customers	**7,398**	3,882
– Food and beverage income	**1,726**	1,646
– Miscellaneous sales	**340**	151
	34,206	30,055
Timing of revenue recognition		
– At a point in time	**2,066**	1,797
– Over time	**7,398**	3,882
Other revenue		
Bank interest income	**63**	1
Rental income	**18**	–
	81	1

6. 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.

7. FINANCE COSTS

Finance costs comprise the following:

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Interest on bank loan	**365**	251
Bank charges	**21**	13
	386	264

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived after charging/(crediting) the following:

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Cost of service provided	**10,800**	12,130
Staff costs	**12,929**	12,152
Depreciation of property, plant and equipment	**9,014**	8,922
Depreciation of investment property	**151**	151
Written back of impairment loss on trade receivables	**(1,505)**	(2,350)

9. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. The two-tiered profits tax rate applies to years of assessment commencing on or after 1 April 2018.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. For the six months ended 30 September 2018, Hong Kong profits tax of the qualifying corporation in the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other corporations in the Group which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5% (six months ended 30 September 2017: 16.5%).

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

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**1,049**	640
Deferred taxation	**425**	414
	1,474	1,054

10. EARNING/(LOSS) PER SHARE

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

	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000
Earnings		
Profit/(Loss) for the period attributable to owners of the Company	**1,891**	(652)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share ('000)	**1,396,888**	1,310,925

No dilutive loss per share is presented as there was no potential ordinary shares in issue during the six months ended 30 September 2018 and 2017.

11. INTERIM DIVIDEND

The directors do not recommend the payment of dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Trade receivables	**10,689**	16,165
Less: Provision for impairment loss	**(9,557)**	(11,062)
	1,132	5,103
Deposits, prepayments and other receivables	**679**	916
	1,811	6,019

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

	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Within 30 days	**1,132**	3,900
31 – 60 days	**–**	3
61 – 90 days	**–**	–
Over 90 days	**–**	1,200
	1,132	5,103

13. BANK LOAN

	Unaudited **30 September** **2018** **HK$'000**	Audited 31 March 2018 HK$'000
Secured bank instalment loan	**35,612**	40,284

(a) The bank loan is denominated in HK$, carried at a variable interest rate with reference to HIBOR. At 30 September 2018, the effective interest rate of the bank instalment loan is 2.01% (31 March 2018: 1.24%) per annum.

(b) The bank loan is secured by the first legal charge of the hotel property of the Group, personal guarantee from a director of the Company and the corporate guarantee from the Company.

13. BANK LOAN (Continued)

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

	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
On demand or within one year	**9,456**	9,515
More than one year, but not exceeding two years	**9,646**	9,631
More than two years, but not exceeding five years	**16,510**	21,138
	26,156	30,769
Bank loan	**35,612**	40,284
Carrying amount of bank loan for repayment after one year which contains a repayment on demand clause (shown under current liabilities)	**26,156**	30,769

14. SHARE CAPITAL

	30 September 2018 (Unaudited)		31 March 2018 (Audited)	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.02 each	**3,000,000,000**	**60,000**	3,000,000,000	60,000
Issued and fully paid:				
Ordinary shares of HK$0.02 each				
At the beginning of period/year	**1,310,925,244**	**26,218**	1,310,925,244	26,218
Issue of new shares (Note)	**655,462,622**	**13,110**	–	–
At the end of period/year	**1,966,387,866**	**39,328**	1,310,925,244	26,218

Note:

On 7 September 2018, the Company issued 655,462,622 ordinary shares on the basis of one ordinary shares for every two ordinary shares held on 31 July 2018 at the offer price of HK$0.25 each (the "Open Offer"). The Company raised approximately HK$163,869,000 before any related issuance costs arising from the Open Offer, resulting in an increase in the issued share capital of the Company by HK$13,110,000 and the share premium of the Company by HK$147,281,000 which net off with the related share issue expense of HK$3,478,000.

15. RELATED PARTY TRANSACTIONS

As at 30 September 2018, 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) Amounts due from related parties, amount due to a director and amount due to a non-controlling shareholder of a subsidiary are unsecured, interest-free and repayable on demand.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group mainly focuses on the operation of Winland 800 Hotel, a 800-room four-star hotel in Tsing Yi. For the six months ended 30 September 2018, the Group recorded a turnover of approximately HK$34 million (for the six months ended September 2017: HK$30 million) generated from hotel operations.

The profit after income tax for the period was HK$1.8 million (for the six month ended 30 September 2017: loss after income tax of HK$0.7 million).

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 2018, the Group's total borrowings amounted to approximately HK$36 million (31 March 2018: HK$40 million). As at 30 September 2018, cash and bank balances amounted to approximately HK$38 million (31 March 2018: HK$23 million). The Group's net assets as at 30 September 2018 amounted to HK$583 million (31 March 2018: HK$421 million).

Gearing ratio of the Group that is expressed as a percentage of total borrowings, which include bank loan and amount due to a director, to shareholders' fund was approximately 8% as at 30 September 2018 compared to approximately 10% as at 31 March 2018.

Of the Group's total borrowings as at 30 September 2018, approximately HK$10 million would be due within one year and approximately HK$26 million would be due for repayment after one year which contain a repayable on demand clause. The borrowings were denominated in HK$ and bear a variable interest rate.

The above borrowings were secured by the hotel property, personal guarantee from a director and corporate guarantee from the Company.

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 2018, 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 2018, the total number of employees of the Group was approximately 107 (31 March 2018: 110). 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

On 7 September 2018, the Company completed to raise approximately HK$164 million, before expenses, by issuing 655,462,622 Offer Shares to the Qualifying Shareholders at the subscription price of HK$0.25 per Offer Share under the Open Offer on the basis of one (1) Offer Share for every two (2) Shares held on the Record Date.

The net proceeds of the Open Offer after the deduction of all estimated expenses are estimated to be approximately HK$160 million. The Company intends to use the proceeds from the Open Offer for financing the Group's acquisition of the Property at the consideration of HK$165 million, which shall be satisfied in cash. The Property is intended to be used by the Group as its office after expiry of the existing tenancy on the Property.

All the conditions precedent set out in the Formal Agreement have been fulfilled and the Completion took place on 27 September 2018.

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

As at 30 September 2018, 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 2018 (%)
Lun Yiu Kay Edwin (administrator of the estate of Lun Chi Yim)	1,358,055,354	Interest of controlled corporation	69.06

Note:

These 1,358,055,354 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 1,358,055,354 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 and nature of interest	Shareholding percentage as at 30 September 2018 (%)
Winland Stock (BVI) Limited	Lun Yiu Kay Edwin	1	Beneficial owner	100
Winland Wealth (BVI) Limited	Lun Yiu Kay Edwin	1	Interest of controlled corporation	100

Save as disclosed above, as at 30 September 2018, 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 2018 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 2018, 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 and nature of interest	Approximate shareholding percentage as at 30 September 2018 (%)
Winland Wealth (BVI) Limited (Note i)	Long	1,358,055,354	Beneficial owner	69.06
Winland Stock (BVI) Limited (Note ii)	Long	1,358,055,354	Interest of controlled corporation	69.06

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 1,358,055,354 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 1,358,055,354 shares by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited.

Save as disclosed above, as at 30 September 2018, 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 2018 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. Lau Shu Kan and Mr. Ng Hung Sui Kenneth are independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 5 September 2018 as they 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 consolidated financial statements of the Group for the six months ended 30 September 2018 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 2018.

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 2018