MEXAN LIMITED
茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

2020
Annual Report

This annual 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 annual report posted on the Company Website will promptly upon request be sent the annual report in printed form free of charge.

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

Shareholders may send their request to receive the annual report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Tricor Tengis Limited at Level 54, 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.

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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

Tang Sik Ho

PRINCIPAL BANKERS

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

AUDITOR

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Winland 800 Hotel
Hotel 2, Rambler Crest
No. 1 Tsing Yi Road
Tsing Yi
New Territories
Hong Kong

PRINCIPAL REGISTRARS

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

BRANCH REGISTRARS IN HONG KONG

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.mexanhk.com

STOCK CODE

22

CHAIRMAN'S STATEMENT

I am pleased to present the results of MEXAN LIMITED (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2020.

RESULTS

The Group's revenue and (loss)/profit and total comprehensive income for the year from hotel business and other operation were presented as follows:

	2020 **HK$'000**	2019 HK$'000
Revenue	**43,541**	72,195
(Loss)/profit and total comprehensive income for the year	**(70,818)**	1,105
(Loss)/profit and total comprehensive income attributable to owners of the Company	**(70,661)**	1,267

Revenue of the Group for the year ended 31 March 2020 amounted to approximately HK$44 million which solely comprised the turnover generated from the hotel operations, representing a decrease of 39.7% when compared with the turnover of approximately HK$72 million generated in last year.

The Group recorded a loss attributable to owners of the Company of approximately HK$70.66 million for the year ended 31 March 2020, compared with a profit attributable to owners of the Company of approximately HK$1.27 million for the year ended 31 March 2019.

The loss recorded in this year was mainly attributable to the social incident occured in the second half of 2019 which has seriously damaged Hong Kong's inbound tourism industry, together with the outbreak of the COVID-19 coronavirus pandemic which further impacted the hotel business. Both hotel occupancy and the average room rate have declined. In addition, an impairment on office property has been provided to reflect the unfavorable market conditions, which has further negative impact to the financial results of the Group.

PROSPECTS

The hotel industry in Hong Kong will continue to face multiple challenges in the coming year. These challenges include the sustained if not accelerating outbreak of COVID-19 and anticipated slowdown of GDP growth in the global markets, which has and may continue to cause market turbulence and economic uncertainties to the hotel industry.

Once the restriction on entering Hong Kong and the compulsory health quarantine are released and the situation created by COVID-19 becomes steady, we will explore into different market segments and different clientele.

CHAIRMAN'S STATEMENT

We will commit ourselves to combat the competitive environment by expanding our market networks and stay vigilant and proactive to further business opportunities.

As for the environment, social and governance (ESG), we believe our Group has delivered a sense of purpose and helped to address social issues of importance to all relevant stakeholders, not only the shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our sincere appreciation to our shareholders, professional advisers, bankers and customers for their continuous support and trust. I would also like to thank the management and staff for their consecutive dedication and commitment.

Lun Yiu Kay Edwin
Chairman
Hong Kong, 23 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hotel business

The business of the Group mainly focuses on the operation of Winland 800 Hotel, a 800-room hotel in Tsing Yi, New Territories, Hong Kong. Revenue generated from the hotel business was approximately HK$43.5 million for the year under review, and the average occupancy rate was approximately 82% for the year.

The social incident occurring in Hong Kong since June 2019 has seriously damaged Hong Kong's inbound tourism industry and has impacted the Group's hotel room sales. In order to maintain sales and market share, the Group has launched promotional campaigns on hotel room rate since third quarter of Year 2019. The Group could maintain sustainable occupancy by the drop in the room rate in second half of Year 2019.

Since the happening of the social incident, the inbound travelers dropped in second half of Year 2019 from a drop of 39.1% in August 2019 to a drop of 52.7% in January 2020 compared to same month of previous year. Due to the outbreak of COVID-19 since January 2020, The Government of Hong Kong Special Administrative Region has implemented restrictions on entering Hong Kong and compulsory health quarantine on inbound travelers, and total inbound travelers in February 2020 and March 2020 dropped nearly 96.4% and 98.6% respectively compared to same month in Year 2019. The data of the inbound travelers are extracted from the Monthly Report - Visitor Statistics published by Hong Kong Tourism Board.

Due to the huge drop of inbound travelers, our average occupancy of rate also dropped significantly in first quarter of year 2020.

LIQUIDITY AND FINANCIAL INFORMATION

During the year under review, cash flow of the Group was mainly generated from the hotel operations. As at 31 March 2020, the Group's total borrowings, including the bank loan and amount due to a related company amounted to approximately HK$30.5 million as compared with approximately HK$30.9 million as at 31 March 2019. The decrease of the Group's total borrowings was due to partial repayment of the bank loan which was offset by advance from a related party.

As at 31 March 2020, cash and bank balances amounted to approximately HK$7.8 million compared with cash and bank balances of approximately HK$30.2 million last year. The Group's net assets as at 31 March 2020 amounted to approximately HK$511.3 million, which decreased from approximately HK$582.1 million as at 31 March 2019, mainly due to the impairment on investment property during the year.

LIQUIDITY AND FINANCIAL INFORMATION – CONTINUED

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 5.96% as at 31 March 2020 compared with approximately 5.31% as at 31 March 2019. Net gearing ratio of the Group which is expressed as a percentage of net borrowings (total borrowings less cash and bank balance) to total equity was approximately 4.44% compared with approximately 0.12% last year.

Of the Group's bank loan as at 31 March 2020, approximately HK$9.8 million would be due for repayment within one year and approximately HK$11.7 million would be due for repayment after one year which contained a repayable on demand clause. The above bank loan was denominated in HK$, bore a variable interest rate and secured by mortgage of the hotel property and the corporate guarantee from the Company. Approximately HK$9 million advanced from a related company of a director and shareholder of the Group (the "Lender") was unsecured and interest bearing at HIBOR plus 1.4% per annum. The Lender has signed a supplemental agreement on 19 June 2020 for not to demand repayment of the advance until the Group obtains banking facilities from banking institutions in Hong Kong that are sufficient to settle the advance from the Lender of HK$90 million, including the advance of HK$81 million to the Group subsequent to 31 March 2020.

TREASURY POLICIES

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

EQUITY

Total equity of the Group as at 31 March 2020 was approximately HK$511.3 million while there was approximately HK$582.1 million as at 31 March 2019. Total equity attributable to owners of the Company as at 31 March 2020 was approximately HK$513.8 million while there was approximately HK$584.4 million as at 31 March 2019. The decrease in equity was mainly due to the impairment on investment property during the year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 March 2020, the total number of employees of the Group was 111 (2019: 111). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the directors are determined having regard to the comparable market statistics. No director of the Company, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on periodic basis. The Group participates in Mandatory Provident Fund schemes that cover all the eligible employees of the Group.

CONTINGENT LIABILITIES

At the end of the reporting period, the Company provided a financial guarantee to a bank for the banking facilities of an aggregate amount of approximately HK$21,453,000 (2019: HK$530,920,000) granted to its subsidiary. The amount utilised by the subsidiary amounted to approximately HK$21,453,000 (2019: HK$30,920,000) as at 31 March 2020. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The Company has not recognised any deferred income in respect of the guarantees as the fair value is insignificant and its transaction price was nil. The Company has not recognised any provision in the Company's financial statements as at 31 March 2020 as the directors considered that the probability for the holder of the guarantees to call upon the Company as a result of default in repayment is remote.

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of MEXAN LIMITED (the "Company") is committed to maintain a high standard of corporate governance. The Board believes that a good, solid and sensible framework of corporate governance will enhance the Company and its subsidiaries (the "Group") to run its business in the best interest of its shareholders as a whole.

In the opinion of the directors of the Company ("Directors" or individually, the "Director"), the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year under review, except for the followings:

(a) Under code provision A.2.1 of the CG Code, the roles of chairman and managing director should be separate and should not be performed by the same individual. Mr. Lun Yiu Kay Edwin is both the Chairman of the Board and Managing Director of the Company. The Board considers that although such structure deviates from A.2.1 of the CG Code, the effective operation of the Group will not be impaired since Mr. Lun Yiu Kay Edwin has exercised sufficient delegation in the daily operation of the Group's business as Managing Director while being responsible for the effective operation of the Board as Chairman of the Board. The Board and senior management have benefited from the leadership and experience of Mr. Lun Yiu Kay Edwin.

(b) Under the code provision A.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, at each annual general meeting, one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, and the Chairman and Managing Director shall not be subject to retirement by rotation or taken into account on determining the number of Directors to retire. This constitutes as a deviation from code provision A.4.2 of the CG Code. As the Company must comply with its Bye-laws and that the directors consider that the retirement of no more than one-third of the directors in each annual general meeting can ensure the continuity of the Board which is a key factor to the successful implementation of business plans. The Board also believes that the roles of the Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders of the Company as a whole.

CODE ON CORPORATE GOVERNANCE PRACTICES – CONTINUED

(c) 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 ("Mr. Kenneth Ng") is an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 6 September 2019 as Mr. Kenneth Ng had other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The directors during the year ended 31 March 2020 and up to the date of this report were:

Executive Directors

Mr. Lun Yiu Kay Edwin
Mr. Ng Tze Ho Joseph

Independent Non-Executive Directors

Dr. Tse Kwing Chuen
Mr. Ng Hung Sui Kenneth
Mr. Lau Shu Kan

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

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

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

BOARD OF DIRECTORS – CONTINUED

The Board meets at least four times each year to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all directors for all regular Board meetings to give all directors an opportunity to attend. All regular Board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information that enables the Board to make an informed decision on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director.

For the year ended 31 March 2020, other than resolutions passed by means of resolutions in writing of Directors, the Board held 11 meetings. The following table shows the attendance records of individual Director at the meetings of the Board held for the year ended 31 March 2020:

Directors' Attendance

	Number of Board Meetings held during the Director's term of office during the year ended 31 March 2020	Number of meeting(s) attended
Executive Directors		
Mr. Lun Yiu Kay Edwin (Chairman)	11	11
Mr. Ng Tze Ho Joseph	11	10
Independent Non-Executive Directors		
Dr. Tse Kwing Chuen	11	11
Mr. Ng Hung Sui Kenneth	11	9
Mr. Lau Shu Kan	11	11

BOARD OF DIRECTORS – CONTINUED

Training and Support for Directors

The Company recognises the importance of keeping the directors updated with latest information of duties and obligations of a director of a company which shares are listed on the Stock Exchange of Hong Kong Limited and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. The Company would also provide regular updates in relation to the latest developments regarding Listing Rules and other applicable regulations.

During the year ended 31 March 2020, the directors participated in the following types of continuous professional development:

Name of Directors	Type of continuous professional development
Mr. Lun Yiu Kay Edwin	A, B
Mr. Ng Tze Ho Joseph	A, B
Mr. Lau Shu Kan	A, B
Mr. Ng Hung Sui Kenneth	A, B
Dr. Tse Kwing Chuen	A, B

A: attending business meetings relating to the directors of listed companies
B: reading guidance notes and updates relating to regulatory requirements for listed companies and obligations as directors

Directors' Liability Insurance

The Company has in place an appropriate directors' and officers' liability insurance policy for each member of the Board to cover their liabilities on damages arising out of corporate activities. The coverage and the sum insured under the policy are reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The term of office of each present independent non-executive director is for a period of 2 years from 19 April 2020 to 18 April 2022, subject to retirement by rotation in accordance with the Bye-laws of the Company.

EXECUTIVE COMMITTEE

The Executive Committee was established with specific written terms of reference. The functions of the Executive Committee include dealing with all financial, commercial, business, legal, management and administration issues of the Company. The Executive Committee comprises two executive directors, Mr. Lun Yiu Kay Edwin and Mr. Ng Tze Ho Joseph. Mr. Lun Yiu Kay Edwin is the chairman of the Executive Committee.

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

Name of Members	Number of Executive Committee meetings held during member's term of office during the year ended 31 March 2020	Number of meeting(s) attended
Mr. Lun Yiu Kay Edwin (Chairman)	2	2
Mr. Ng Tze Ho Joseph	2	2

REMUNERATION COMMITTEE

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

REMUNERATION COMMITTEE – CONTINUED

The major roles and functions of the Remuneration Committee are:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Company and its subsidiaries and the desirability of performance-based remuneration. The Remuneration Committee shall also ensure that the levels of remuneration should be sufficient to attract and retain the directors needed to run the Company successfully but should avoid paying more than is necessary for this purpose;

(c) to make recommendation to the Board on the Directors' fees and the fees for members of each committee of the Board;

(d) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(e) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(f) to ensure that no director or any of his associates is involved in deciding his own remuneration; and

(g) to advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval in accordance with the Listing Rules.

REMUNERATION COMMITTEE – CONTINUED

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

Name of Members	Number of Remuneration Committee meeting held during the member's term of office during the year ended 31 March 2020	Number of meetings attended
Mr. Lau Shu Kan (Chairman)	2	2
Mr. Lun Yiu Kay Edwin	2	2
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

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

To comply with the code provision B.1.3 of the CG Code, the terms of reference of the Remuneration Committee are included on the Company's website and also available on request.

AUDIT COMMITTEE

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

AUDIT COMMITTEE – CONTINUED

The major roles and functions of the Audit Committee are:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policies regarding the engagement of an external auditor to supply non-audit services. For this purpose, an external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(d) to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee should focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgemental areas;

    (iii) significant adjustments resulting from the audit;

    (iv) the going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

    (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

AUDIT COMMITTEE – CONTINUED

(e) in relation to paragraph (d) above: (i) members of the committee must liaise with the Company's board of directors and senior management and the committee must meet, at least twice a year, with the Company's auditors; and (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, internal control and risk management systems;

(g) to discuss with management the system of risk management and internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;

(h) to consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response;

(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(j) to review the Group's financial and accounting policies and practices;

(k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters set out in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules);

(n) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

AUDIT COMMITTEE – CONTINUED

(o) to act as the key representative body for overseeing the Company's relationship with the external auditor;

(p) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and

(q) to consider such other matters as the Board may from time to time determine.

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

Name of Members	Number of Audit Committee meetings held during the member's term of office during the year ended 31 March 2020	Number of meetings attended
Mr. Lau Shu Kan (Chairman)	2	2
Mr. Ng Hung Sui Kenneth	2	1
Dr. Tse Kwing Chuen	2	2

Summary of work done for the year ended 31 March 2020:–

- review of final results and draft audited financial statements for the year ended 31 March 2020;

- review of interim results and draft unaudited consolidated financial statements for the six months ended 30 September 2019; and

- consider and approve of the re-appointment of auditors.

The Audit Committee and BDO Limited have also reviewed with management the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2020.

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

NOMINATION COMMITTEE

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

The major roles and functions of the Nomination Committee are:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

(c) to identify individuals who are qualified/suitable to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) to assess the independence of independent non-executive directors and determine their eligibility; and their suitability and independence for serving more than 9 years;

(e) to make recommendations to the Board on matters relating to the appointment, removal or reappointment of directors and succession planning for directors, in particular, the chairman; and

(f) to review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval.

During the year, one meeting was held by the Nomination Committee and the individual attendance of each member is set out below:

Name of Members	Number of Nomination Committee meetings held during the member's term of office during the year ended 31 March 2020	Number of meetings attended
Mr. Lun Yiu Kay Edwin (Chairman)	1	1
Mr. Lau Shu Kan	1	1
Dr. Tse Kwing Chuen	1	1

Summary of work done for the year ended 31 March 2020:

- review the structure, composition of the Board and the Board diversity policy; and
- make recommendation on the re-appointment of the retiring directors and assessment of the independence of independent non-executive directors.

SUMMARY OF BOARD DIVERSITY POLICY

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, consideration has been made from a number of aspects, such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of Board members will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy periodically. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee comprises two independent non-executive Director and one executive Director. The Company Secretary acts as the secretary to the Nomination Committee. As at 31 March 2020, the members of the Nomination Committee were Dr. Tse Kwing Chuen, Mr. Lau Shu Kan and Mr. Lun Yiu Kay Edwin. The Nomination Committee held 1 meeting during the year ended 31 March 2020, whereby the members of the Nomination Committee discussed and made recommendation to the Board on the re-election of retiring Directors and re-appointment of Directors, reviewed the size, structure, composition and diversity of the Board, assessed the independence of independent non-executive Directors and discussed the roles of the Chairman and the Managing Director.

AUDITORS' REMUNERATION

BDO Limited is the auditor of the Company. During the year ended 31 March 2020, the fees charged to the financial statements of the Company and its subsidiaries for statutory audit amounted to HK$670,000.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledged their responsibilities for the preparation of the consolidated financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant period. In preparing the consolidated financial statements for the year ended 31 March 2020, the directors ensured that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgements and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The directors are also responsible for the timely publication of the consolidated financial statements of the Group.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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

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

CORPORATE COMMUNICATION

The Company established a shareholders' communication policy and shall review it on a periodic basis to ensure its effectiveness.

The Company communicates with the Shareholders mainly in the following ways: (i) the holding of annual general meeting and extraordinary general meetings, if any, which may be convened for specific purposes and provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and circulars on the websites of the Company and the Stock Exchange of Hong Kong; and (iii) the availability of latest information of the Group on the website of the Company.

The Company's notices to Shareholders for the annual general meeting ("AGM") held in 2019 were sent to Shareholders at least 20 clear business days or 21 clear days before the meetings, whichever is the longest.

The chairman of the Board and the representatives of external auditor were available at the AGM held on 6 September 2019 to answer questions from the Shareholders. The chairman of the AGM explained the procedures for conducting a poll during the meeting. All resolutions proposed at the AGM were voted separately by way of poll. All the votes cast at the said meeting were properly counted and recorded.

CONSTITUTIONAL DOCUMENTS

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises effective risk management is an essential and integral part of the Group's effort at achieving business objectives and sustainable development.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2020, covering the material financial, operational and compliance controls. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions on an annual basis. The Board is of the view that the system of risk management and internal control are effective and adequate.

During the year ended 31 March 2020, the Group have engaged independent professionals to assess and review its overall risk management system, internal controls and operation processes and have given recommendations to make any enhancement. It has been reported that there are no material deficiencies found.

Under the enterprise risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks. Such risks include strategic, credit, operational (administrative, system, human resources, tangible and reputation), market, liquidity, legal and regulatory risks. Exposure to these risks is continuously monitored by the Board through the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROL – CONTINUED

In specific, the risk management process of the Group is described as follows:

- Risk identification – identify the current risks confronted.
- Risk analysis – conduct analysis on the risk including the impact extent and possibility of occurrence.
- Risk response – choose a proper risk response method and develop a risk mitigation strategy.
- Control measures – propose up-to-date internal control measures and policy and process.
- Risk control – continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk response strategy.
- Risk management report – summarise results of risk assessment and analysis and internal audit, formulate and report an action plan.

The Group's Internal Audit Function monitors the Group's internal governance and strives to provide objective assurance to the Board that appropriate, adequate and effective risk management and internal control systems are in place. It has unrestricted access to review all aspects of the Group's activities and internal controls. It also conducts special audits of areas of concern identified by management or the Audit Committee. The Internal Audit Function adopts a risk-based audit approach. All audit reports are circulated to the Audit Committee and key management. The Internal Audit Function is also responsible for following up the implementation of recommendations and corrective actions.

During the year under review, the Audit Committee, as delegated by the Board, discussed the risk management and internal control systems for the financial year under review with Management to ensure that Management has performed its duty to have an effective risk management and internal control systems in place. The Board ensured that the resources, staff qualifications and experience, training programs and the budget of the Group's accounting, internal control and financial reporting functions were adequate. The Board concluded that in general, the Group had set up control environment and installed necessary control mechanisms to monitor and correct non-compliance or material internal control defects, if any. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified.

RISK MANAGEMENT AND INTERNAL CONTROL – CONTINUED

Procedures and internal controls for the handling and dissemination of inside information

The Group has complied with the relevant applicable requirements of the SFO and the Mainboard Listing Rules in respect of dissemination of inside information. The Group has disclosed inside information to the public as soon as reasonably practicable. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements and other public disclosures are not false or misleading as to a material fact or as a result of the omission of a material fact by presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

Mr. Tang Sik Ho ("Mr. Tang") is appointed as the Company Secretary of the Company. He is also an Authorised Representative of the Company. According to rule 3.29 of the Listing Rules, Mr. Tang takes no less than 15 hours of relevant professional training for the year ended 31 March 2020.

DIRECTORS' REPORT

The directors ("Directors" or individually, the "Director") of MEXAN LIMITED (the "Company") submit their report together with the audited consolidated financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. During the year, the principal activity of its subsidiaries is hotel operation. Further details of subsidiaries during the year ended 31 March 2020 are set out in note 25 to the consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

The state of affairs of the Group and the Company as at 31 March 2020 are set out in the consolidated statement of financial position on pages 41 to 42 and in note 24 to the consolidated financial statement respectively.

The cash flows of the Group are set out in the consolidated statement of cash flows on pages 44 to 45.

As at 31 March 2020, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$37,613,000 (2019: HK$35,897,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: Nil).

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 43 and in note 21 to the consolidated financial statements respectively.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 119.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in hotel property and other property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of the movements in leasehold land and office property of the Group during the year are set out in note 15 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Particulars of the Group's principal properties are set out on page 120.

BANK LOANS

Particulars of the Group's bank loans are set out in note 18 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

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

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest customer accounted for 62% of the revenue of the Group for the year.

The aggregate purchases attributable to the largest and the five largest suppliers were more than 53% and 65% in the year under review.

None of the Directors, their associates or any shareholders (who, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any beneficial interest in the major customers and suppliers noted above.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. Lun Yiu Kay Edwin (Chairman)
Mr. Ng Tze Ho Joseph

Independent Non-Executive Directors:

Dr. Tse Kwing Chuen
Mr. Ng Hung Sui Kenneth
Mr. Lau Shu Kan

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Executive Directors

Mr. Lun Yiu Kay Edwin ("**Mr. Lun**"), aged 50, has been a Director and the Managing Director of the Company since April 2007 and has been the Chairman of the Company since December 2014. Mr. Lun holds a Bachelor's Degree in Science (Land Management) from the University of Reading, United Kingdom. He has over 25 years' experience in property investment, finance and management. He is also experienced in hotel management and in the tourism industry. Mr. Lun joined the group of companies operating various businesses, which ultimately owned and controlled by him and his immediate family member (the "Winland Group") in 1994 and is currently a director of various companies in the Winland Group.

Mr. Lun is also the member of the executive committee, nomination committee and remuneration committee of the Board, and a director of all the subsidiaries of the Company.

Mr. Ng Tze Ho Joseph ("**Mr. Joseph Ng**"), aged 48, has been a Director since April 2007. He is also a member of the executive committee. Mr. Joseph Ng holds a Bachelor's Degree in Science (Quantity Surveying) from the University of Reading, United Kingdom. He has over 24 years' experience in property investment and development, leasing and management. Mr. Joseph Ng joined the Winland Group in 1997 and is currently a director of several companies in the Winland Group.

Independent Non-Executive Directors

Dr. Tse Kwing Chuen ("**Dr. Tse**"), aged 68, has been a Director since April 2007. He is also a member of the audit committee, remuneration committee and nomination committee of the Board. Dr. Tse obtained a Master's Degree in Economics from the Zhongshan University, the PRC and a Doctorate's Degree of Philosophy in Business Administration from the Bulacan State University, the Republic of the Philippines. Dr. Tse is a Certified Dealmaker as approved by China Mergers & Acquisitions Association. He is also an executive director of Hong Kong Financial Assets Management Limited and the Observer in the Independent Police Complaints Council.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – CONTINUED

Independent Non-Executive Directors **– continued**

Mr. Ng Hung Sui Kenneth ("**Mr. Kenneth Ng**"), aged 53, has been a Director since April 2007. He is also a member of the audit committee and remuneration committee of the Board. Mr. Kenneth Ng obtained a Bachelor's Degree in Laws from the University of Hong Kong and is a solicitor practising in Hong Kong since 1992. He was also admitted as a solicitor in England and Wales in 1993 and as a legal practitioner in Tasmania, Australia in 1994. He is a managing partner of Ng, Au Yeung & Partners Solicitors & Notaries. Mr. Kenneth Ng is a Notary Public of Hong Kong and a China-Appointed Attesting Officer. Mr. Kenneth Ng is the Chairman of the Criminal Law & Procedure Committee of the Law Society of Hong Kong.

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

Mr. Lau Shu Kan ("**Mr. Lau**"), aged 61, has been a Director since September 2016. He is also a member of the audit committee, remuneration committee and nomination committee. Mr. Lau has over 30 years' experience in working in European and Hong Kong based banks in commercial, corporate and PRC banking sectors. Graduated from the Hong Kong Polytechnic with a Professional Diploma in Company Secretaries and Administration and obtained a Master's degree in Business Administration (Financial Services) from the University of Greenwich. Mr. Lau is currently an associate member of the Hong Kong Institute of Chartered Secretaries and Chartered Governance Institute of the U.K. (formerly known as the Institute of Chartered Secretaries and Administrators of the United Kingdom).

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

(i) Long positions in shares of the Company

Name of Director	No. of shares of HK$0.02 each held	Capacity and nature of interest	Approximate shareholding percentage (%)
Mr. Lun Yiu Kay Edwin	1,358,055,354	Interest of controlled corporation	69.06

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the year was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, the following Directors were considered to have interests in the following businesses ("Competing Business") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as defined in the Listing Rules as set out below:

Name of Director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the Director in the entity
Mr. Lun Yiu Kay Edwin	Winland Hotel Management Limited (Note)	Hotel management	As director
	Winland Finance Limited	Money lending	As director

Note:

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

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

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

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

As at 31 March 2020, 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 (%)
Winland Wealth (BVI) Limited (Note i)	Long	1,358,055,354 (Note i)	Beneficial owner	69.06
Winland Stock (BVI) Limited (Note ii)	Long	1,358,055,354 (Note ii)	Interest of controlled corporation	69.06

Notes:

i. Mr. Lun Yiu Kay Edwin 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.

MANAGEMENT CONTRACTS

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

REVIEW BY AUDIT COMMITTEE

At the date of this report, the Audit Committee of the Company comprises three Independent Non-Executive Directors namely, Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lau Shu Kan. The Audit Committee has reviewed with the Group's auditors, BDO Limited, the audited consolidated financial statements for the year ended 31 March 2020 and has also discussed auditing, internal control and financial reporting matters of the Group.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. Details of our environmental, social and governance policies and performance during the year ended 31 March 2020 shall be disclosed in a standalone "Environmental, Social and Governance Report" to be published within three months after the publication of this Annual Report on the websites of the Company and the Stock Exchange.

EVENT AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there was no significant event taken place subsequent to 31 March 2020 and up to the date of this report.

By Order of the Board
MEXAN LIMITED

Lun Yiu Kay Edwin
Chairman

Hong Kong, 23 June 2020

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF MEXAN LIMITED
茂盛控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Mexan Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 40 to 118, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b) in the consolidated financial statements, which indicates that the Group incurred loss for the year ended 31 March 2020 of HK$70,818,000 and had net current liabilities of HK$32,056,000 as at 31 March 2020. Also, the widespread of COVID-19 globally since January 2020 has direct negative impact to the Group's financial performance as the Group's principal activity is operating a hotel in Hong Kong. The travel restrictions imposed by government or authorities of various countries around the world caused the decrease in travelers to Hong Kong. As stated in the Note 3(b), these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of the matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

(Refer to note 14 and 15 to the consolidated financial statements and the Group's accounting policies set out in note 5(c))

As at 31 March 2020, the Group has property, plant and equipment with the carrying amount of HK$426 million, which comprise a hotel property with the carrying amount of HK$425 million. Also, the Group has investment property with the carrying amount of HK$129 million, which comprise an office property with the carrying amount of HK$121 million. Such hotel property and office property are stated at cost less accumulated depreciation and impairment. The performance of the Group's hotel operation has been impacted by the uncertainties of the tourism market, mainly due to the negative impact from the outbreak of COVID-19 all around the world, causing the decrease in number of visitors from the People's Republic of China to Hong Kong and recession of global economy. These conditions resulted in a downward pressure of the occupancy rate and hotel room rate. Management is required to assess whether there exist events or changes in circumstances, which indicate that the hotel property has suffered an impairment loss, and if so, to estimate its recoverable amount. Management performed impairment assessment to determine the recoverable amount of the hotel property, which was determined based on fair value less costs of disposal. Independent external valuation was obtained for the hotel property to support management's estimate. The fair value less costs of disposal is arrived at based on discounted cash flow methodology from potential purchaser perspective which represents estimates of the future income potential of the hotel property, and with reference to the direct or market comparison methodology by comparing to the recent sales price of comparable hotel properties. The management concluded that the recoverable amount of the hotel property is higher than its carrying value such that no impairment provision was required.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY – CONTINUED
(Refer to note 14 and 15 to the consolidated financial statements and the Group's accounting policies set out in note 5(c)) – continued

With respect to the office property, its recoverable amount has been impacted by the outbreak of COVID-19. Management is required to assess whether the existing events or changes in circumstances, which indicate the office property has suffered an impairment loss and if so, to estimate its recoverable amount. Management performed impairment assessment to determine the recoverable amount of the office property, which was based on fair value less costs of disposal. Independent external valuation was obtained for the office property to support management's estimate. The fair value less costs of disposal is arrived by recent comparable sales prices of office properties under market comparison methodology. The management concluded that the recoverable amount of the office property is below its carrying value and impairment loss of HK$43,319,000 was provided in the Group's consolidated statement of profit or loss for the year ended 31 March 2020.

Determining the recoverable amounts of the hotel property and office property required significant management judgement, including implementing the key assumptions and estimates with respect to the underlying cash flows in the valuation model, selecting comparable properties and making adjustments for the differences among the comparable properties and the hotel and office property, such as location, grade and condition of the properties.

Our response:

Our audit procedures in relation to assess the potential impairment of the hotel property and office property included:

- We evaluated the independent external valuers' competence;
- We assessed the valuation methodologies used and the appropriateness of key assumptions based on our knowledge of the industry;
- We checked, on a sample basis, the accuracy and relevance of the input data used;
- We benchmarked the key parameters used in the valuations against market data and comparables; and
- We checked the mathematical accuracy of the calculation of the valuations.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Choi Man On
Practising Certificate Number P02410

Hong Kong, 23 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	**43,541**	72,195
Direct costs		**(24,087)**	(25,456)
Gross profit		**19,454**	46,739
Other income	7	**228**	576
Administrative and other operating expenses		**(26,056)**	(26,738)
Depreciation		**(21,373)**	(19,907)
Impairment loss on investment property	15	**(43,319)**	–
(Increase)/Decrease of impairment loss on trade receivables	17	**(188)**	4,550
Finance costs	8	**(758)**	(748)
(Loss)/Profit before income tax	9	**(72,012)**	4,472
Income tax credit/(expense)	10	**1,194**	(3,367)
(Loss)/Profit and total comprehensive income for the year		**(70,818)**	1,105
(Loss)/Profit and total comprehensive income attributable to:			
Owners of the Company		**(70,661)**	1,267
Non-controlling interests	26	**(157)**	(162)
		(70,818)	1,105
(Loss)/Earnings per share attributable to owners of the Company – basic and diluted (HK cents)	12	**(3.59)**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**426,252**	610,509
Investment property	15	**128,806**	8,527
		555,058	619,036
Current assets			
Inventories	16	**95**	130
Trade and other receivables	17	**2,921**	4,421
Amounts due from related parties	23(b)	**–**	38
Tax recoverable		**1**	1
Cash and bank balances		**7,760**	30,239
		10,777	34,829
Current liabilities			
Other payables, deposits received and accrued charges		**5,524**	20,615
Bank loan	18	**21,453**	30,920
Contract liabilities	19	**426**	–
Amount due to a non-controlling shareholder of a subsidiary	23(b)	**6,414**	6,414
Amount due to a related party	23(c)	**9,012**	–
Tax payable		**4**	1,067
		42,833	59,016
Net current liabilities		**(32,056)**	(24,187)
Total assets less current liabilities		**523,002**	594,849

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred tax liabilities	22	**11,742**	12,771
Net assets		**511,260**	582,078
EQUITY			
Share capital	20	**39,328**	39,328
Reserves		**474,422**	545,083
Equity attributable to owners of the Company		**513,750**	584,411
Non-controlling interests	26	(2,490)	(2,333)
Total equity		**511,260**	582,078

On behalf of the Board

Lun Yiu Kay Edwin *Director*	**Ng Tze Ho Joseph** *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018	26,218	57,556	129	104,874	233,979	422,756	(2,171)	420,585
Issuance of shares	13,110	147,278	–	–	–	160,388	–	160,388
Profit/(Loss) and total comprehensive income for the year	–	–	–	–	1,267	1,267	(162)	1,105
At 31 March 2019 and 1 April 2019	39,328	204,834	129	104,874	235,246	584,411	(2,333)	582,078
Loss and total comprehensive income for the year	–	–	–	–	(70,661)	(70,661)	(157)	(70,818)
At 31 March 2020	39,328	204,834	129	104,874	164,585	513,750	(2,490)	511,260

Nature and purpose of share capital and reserves are disclosed in Note 20 and 21 of the notes to the consolidated financial statements respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(72,012)**	4,472
Interest income	7	**(13)**	(74)
Interest expense	8	**743**	721
Depreciation of property, plant and equipment	9	**21,072**	19,605
Depreciation of investment property	9	**301**	302
Loss on disposal of property, plant and equipment	9	**1**	4
Impairment loss on investment property	15	**43,319**	–
Increase/(Decrease) of impairment loss on trade receivables	17	**188**	(4,550)
Operating (loss)/profit before working capital changes		**(6,401)**	20,480
Decrease in inventories		**35**	21
Decrease in trade and other receivables		**1,312**	6,173
Decrease in amounts due from related parties		**38**	30
Increase in contract liabilities		**426**	–
Decrease in other payables, deposits received and accrued charges		**(15,091)**	(468)
Net cash (used in)/generated from operations		**(19,681)**	26,236
Interest received		**13**	74
Interest paid		**(713)**	(721)
Income tax paid		**(898)**	(1,272)
Net cash (used in)/generated from operating activities		**(21,279)**	24,317

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(716)**	(382)
Proceeds from disposal of property, plant and equipment		**1**	–
Acquisition of property, plant and equipment through acquisition of a subsidiary	27	**–**	(167,665)
Net cash used in investing activities		**(715)**	(168,047)
Cash flows from financing activities			
Advance from a related party		**9,000**	–
Proceeds from issuance of shares	20	**–**	160,388
Repayment of bank loan		**(9,485)**	(9,364)
Net cash (used in)/generated from financing activities		**(485)**	151,024
(Decrease)/Increase in cash and cash equivalents		**(22,479)**	7,294
Cash and cash equivalents at beginning of year		**30,239**	22,945
Cash and cash equivalents at end of year		**7,760**	30,239
Analysis of the balance of cash and cash equivalents			
Cash and bank balances		**7,760**	30,239

1. GENERAL INFORMATION

Mexan Limited (the "Company") was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of registered office and principal place of operation of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in Note 25. The Company and its subsidiaries are collectively referred to as the "Group". There were no significant changes in the Group's business during the year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" have been summarised in below. The other new or amended HKFRSs that are effective in the current accounting period did not have any significant impact on the Group's accounting policies.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement Contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease and accounting of leases, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and recognised right-of-use assets and lease liabilities at the date of initial application for leases previously classified as operating leases applying HKAS 17. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

(i) Impact of the adoption of HKFRS 16 – continued

The hotel property held under medium term lease of HK$441,788,000, office property held under medium term lease of HK$166,953,000 and investment property held under medium term lease of HK$8,527,000 have been previously classified as operating leases as at 1 April 2019. These operating leases have been recognised as right-of-use assets at the date of initial application of HKFRS 16 on 1 April 2019 and the items of right-of-use assets included in the consolidated statement of financial position are presented as below:–

	HK$'000
Consolidated statement of financial position as at 1 April 2019	
Non-current assets	
Right-of-use assets included in:–	
– Property, plant and equipment	608,741
– Investment property	8,527
	617,268

As the right-of-use assets recognised are paid in full by cash and bank loan at the date of acquisition of the leases, no lease liabilities have been recognised at the date of initial application of HKFRS 16 on 1 April 2019.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

(ii) The new definition of a lease – continued

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

(iii) Accounting as a lessee – continued

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any re-measurement of lease liability.

For leasehold land and buildings which is held for own use, the Group would continue to be accounted for under HKAS 16 "Property, Plant and Equipment" and depreciate them over the remaining lease period. For investment property, the Group continues to apply HKAS 40 "Investment Properties" to account for its leasehold properties that were held for investment purposes and measure them at cost less depreciation and impairment. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

(iii) Accounting as a lessee – continued

Lease liability – continued

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

The Group has applied the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. In the current year, it has been determined that there is no identified asset under the arrangement with the sole sale agent contracted with the Group in the current financial year. Accordingly the contract with this sale agent does not fall in the scope of HKFRS 16 and instead, it is accounted for under HKFRS 15 "Revenue with Contract with Customers" ("HKFRS 15") (see note 4(n)). In the past, the arrangements with the contracted sale agents met the requirements under HKAS 17 and the income from those contracted sales agents were recognised as lease income under HKAS 17. There is no financial impact arising as a result of the change.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised right-of-use assets at the date of initial application of leases previously classified as operating leases applying HKAS 17. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

For all these right-of-use assets, the Group relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review.

The Group has applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application at 1 April 2019 and accounted for those leases as short-term leases.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, "Income Taxes", by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 19 – Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019 – continued

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

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. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2019. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

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

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

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

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) **Statement of compliance**

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. BASIS OF PREPARATION – CONTINUED

(b) Basis of measurement and going concern assumption

The consolidated financial statements are prepared under historical cost convention.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of revised/amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

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

The consolidated financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business, notwithstanding the fact that the Group incurred loss for the year ended 31 March 2020 of HK$70,818,000 and had a net current liabilities of HK$32,056,000 (2019: HK$24,187,000) as at 31 March 2020. Also, the widespread of COVID-19 globally since January 2020 has direct negative impact to the Group's financial performance as the Group's principal activity is operating a hotel in Hong Kong. The travel restrictions imposed by government and authorities of various countries around the world caused the decrease in travelers to Hong Kong. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

3. BASIS OF PREPARATION – CONTINUED

(b) Basis of measurement and going concern assumption – continued

The directors of the Company prepared a cash flow projection of the Group. In the opinion of the directors, the Group is able to maintain itself as a going concern and have sufficient working capital to finance its operation and to meet its financial obligations when they fall due for at least twelve months from the end of the reporting period after taking into consideration that:

(i) As at 31 March 2020, a related company (the "Lender") advanced a loan amounting to approximately HK$9 million to the Group (as detailed in note 23(c)). Subsequent to the reporting period, a total of approximately HK$81 million of loans with the same borrowing terms (i.e. unsecured, interest-bearing at HIBOR plus 1.4% per annum and repayable on demand) was further advanced from the Lender on 14 April 2020, 13 May 2020 and 3 June 2020. On 19 June 2020, a supplementary loan agreement was entered between the subsidiary of the Company and the Lender to change the repayment term from repayable on demand to repayable until the Group obtains banking facilities from financial institutions in Hong Kong that are sufficient to settle the HK$90 million advance from the Lender;

(ii) The Group is currently under application of a revolving loan of HK$100 million. The hotel property, which has been used to secure the existing bank loan as detailed in note 18, will be used as the security for the loan under application. Such revolving loan is expected to be implemented as the external source of fund to the Group for settling the advance from the Lender as mentioned in Note 3(b)(i) above. As the proportion of the amount of revolving loan under application to the fair value of the hotel property as at 31 March 2020 is less than 13% (less than 15% when taking the existing bank loan (note 18) into account), the directors of the Company are in the opinion that the application will be successful; and

(iii) The Group has bank loan with carrying amount of approximately HK$11,704,000 (2019: HK$21,364,000) as at 31 March 2020 that is repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreement but classified as current liabilities (as detailed in note 18). Taking into account the Group's financial position and the value of the hotel property pledged for the loan, the directors believe that the bank will not exercise its discretionary rights to demand immediate repayment of the bank loan and the bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

3. BASIS OF PREPARATION – CONTINUED

(b) Basis of measurement and going concern assumption – continued

Based on the current economic landscape that the Group is facing, the management of the Group has already taken certain interim measures, including further utilising the operating capacity of the hotel by targeting long stay customers to help relieve the pressure to the Group's cash flow, and will explore into different market segments and different clientele while the situation created by COVID-19 becomes steady, especially once the restrictions on entering Hong Kong and the compulsory health quarantine are released by the Government of Hong Kong Special Administrative Region.

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 within the next twelve months from the end of the reporting period and it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the consolidated financial statements to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets to current assets. No such adjustments were reflected in the consolidated financial statements.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Acquisition of subsidiary not constituting a business

When the Group acquires a subsidiary where the underlying assets are not integrated in forming a business, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities assumed by allocating the purchase price first to property, plant and equipment which is subsequently measured at cost and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(c) Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(d) Property, plant and equipment – continued

Property, plant and equipment are depreciated so as to write off their cost net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates of depreciation are as follows:

Hotel property	2.5%
Office property	2%
Furniture, fixtures and equipment	10% – 20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Investment property

Investment property is a property held either to earn rentals or for capital appreciation or for both or held for undetermined future use, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of estimated residual value over the estimated useful live or the term of the lease, whichever is the shorter. Investment property is depreciated at the range of 40 years to 50 years using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the Group's properties comprise a portion that is held to earn rentals and another portion that is held for use in the supply of goods or services, if these portions could not currently be sold separately, the property is investment property only if an insignificant portion is held for use in the supply of goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(f) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets and the Company's investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) **Financial Instruments – continued**

(i) **Financial assets – continued**

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies all debt instruments at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) **Impairment loss on financial assets**

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within 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. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Financial Instruments – continued

(ii) Impairment loss on financial assets – continued

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime 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.

For other financial assets measured at amortised cost, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be credit-impaired 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 one year past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Financial Instruments – continued

(iii) Financial liabilities – continued

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables, deposits received and accrued charges, amount due to a non-controlling shareholder of a subsidiary and bank loan are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(iv) Effective interest method

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

(v) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Financial Instruments – continued

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

(i) Leasing (accounting policies applied from 1 April 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Leasehold land and buildings which are held for own use are accounted for under HKAS 16 and are stated at cost and are amortised over the period of the lease. The right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) Leasing (accounting policies applied from 1 April 2019) – continued

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Leasing (accounting policies applied until 31 March 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

(k) Income taxes

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Cash and cash equivalents

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

(m) Provisions and contingent liabilities

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

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

(n) Recognition of revenue and other income

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Recognition of revenue and other income – continued

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Recognition of revenue and other income – continued

(i) Revenue from hotel room sales to contracted sales agents for the year ended 31 March 2020 which are revenue from contracts with customers under HKFRS 15 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. For the year ended 31 March 2019, revenue from hotel rooms sales to contracted sales agents as disclosed in note 2(a)(iv) classified as leasing income.

(ii) 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.

(iii) 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.

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

(o) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Employee leave entitlements

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

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Employee benefits – continued

(iii) Retirement scheme obligations

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

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

(p) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(p) Related parties – continued

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(p) Related parties – continued

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(q) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

(r) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's service lines. For the years ended 31 March 2020 and 2019, the Group has one single business segment, namely hotel operation.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Estimation of useful lives and residual value of property, plant and equipment and investment property

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

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

(b) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers, the aging analysis and past settlement of the receivables, prevailing market conditions and adjustment for forward-looking factors specific to the debtors. The management reassess the provision for impairment of trade and other receivables at each reporting date.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

(c) Impairment assessment of property, plant and equipment and investment property

The property, plant and equipment and investment property of the Group mainly included hotel property and office property. At each reporting date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs of disposal and/or value in use calculations as appropriate. Both the hotel property and office property are able to generate cash inflows that are largely independent from other assets, therefore the recoverable amount of hotel property and office property can be determined. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the property, plant and equipment for hotel property and investment property for office property to their recoverable amount. Such impairment losses are recognised in the statement of profit or loss. In the current year, hotel property and office property are subject to impairment assessment and the recoverable amounts of the hotel property and office property have been determined based on fair value less costs of disposal of hotel property and office property. Fair value less costs of disposal is based on management estimates having regard to estimated resale values for hotel property, while the fair value less costs of disposal of office property is based on the market value of the premise. Fair value less costs of disposal is a level 3 fair value measurement.

(d) Going Concern

As explained in Note 3(b), the directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration as detailed in Note 3(b). The directors of the Company also believe that the Group will have working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The Group has only one reportable operating segment which is hotel operation. The Group's assets and capital expenditure are principally attributable to this business component.

(b) Geographical segment information

During the years ended 31 March 2020 and 2019, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

(c) Information about major customers

Revenue attributable from a customer (2019: two customers) with whom transactions have exceeded 10% of the Group's revenue during the year as follows:

	2020 **HK$'000**	2019 HK$'000
Customer A	–	37,267
Customer B	**26,807**	12,906
	26,807	50,173

7. REVENUE AND OTHER INCOME

The Group's revenue represents income from the service provided, including income arising from letting of hotel rooms to both contracted sales agents and walk-in customers, food and beverage income and miscellaneous sales, net of discounts.

In the following table, revenue is disaggregated by primary geographical market, major service provided and timing of revenue recognition.

	2020 **HK$'000**	2019 HK$'000
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales to contracted sales agents/Hotel room leasing income	**26,807**	50,173
– Hotel room sales to walk-in customers	**13,118**	17,961
– Food and beverage income	**3,225**	3,747
– Miscellaneous sales	**391**	314
	43,541	72,195
Time of revenue recognition		
– Over time/Over the lease term	**39,925**	68,134
– At a point in time	**3,616**	4,061
Total revenue	**43,541**	72,195
Other income		
Bank interest income	**13**	74
Rental income	**–**	482
Sundry income	**215**	20
	228	576
	43,769	72,771

7. REVENUE AND OTHER INCOME – CONTINUED

The following table provides information about contract liabilities from contracts with customers.

	2020 HK$'000	2019 HK$'000
Contract liabilities (note 19)	**426**	–

Contract liabilities mainly relate to the advance consideration received from walk-in customers for the hotel room sales. During the year ended 31 March 2020, HK$150,000 of the contract liabilities has been recognised as revenue from performance obligation satisfied during the year when the hotel room sales was provided to the customers over time by reference to the progress towards complete satisfaction.

8. FINANCE COSTS

Finance costs comprise the following:

	2020 HK$'000	2019 HK$'000
Interest on bank loan (note 18)	**694**	721
Interest on amount due to a related party (note 23(c))	**49**	–
Bank charges	**15**	27
	758	748

Note: The analysis shows finance costs of bank loan, which contains a repayment on demand clause in accordance with the agreed schedule dates set out in the loan agreement.

9. (LOSS)/PROFIT BEFORE INCOME TAX

	2020 HK$'000	2019 HK$'000
(Loss)/Profit before income tax is arrived at after charging the following:		
Cost of services provided	**24,087**	25,456
Auditor's remuneration	**670**	670
Depreciation of property, plant and equipment	**21,072**	19,605
Depreciation of investment property	**301**	302
Loss on disposal of property, plant and equipment	**1**	4
Staff costs (including directors' emoluments as disclosed in Note 13)		
– Salaries and allowances	**28,860**	30,041
– Retirement benefit cost	**1,097**	1,109

10. INCOME TAX (CREDIT)/EXPENSE

(a) 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 year ended 31 March 2019, 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%. The directors of the Company considered the impact of two-tiered profits tax rates regime to the applicable tax rate is insignificant, and the applicable tax rate to the Group is maintained at 16.5%.

10. INCOME TAX (CREDIT)/EXPENSE – CONTINUED

(a) – continued

For the year ended 31 March 2020, the Group did not elect any corporations in the Group as qualifying corporation and all corporation in the Group are taxed at the rate of 16.5%. Therefore, the applicable tax rate to the Group for the year ended 31 March 2020 is 16.5%.

Income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 **HK$'000**	2019 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year		
– At 16.5%	**5**	2,001
– At 8.25%	**–**	165
(Over)/Under provision in prior years	**(170)**	80
	(165)	2,246
Deferred taxation (note 22)		
Origination and reversal of temporary differences, net	**1,833**	1,121
Effect on tax losses recognised	**(2,862)**	–
	(1,029)	1,121
Income tax (credit)/expense	**(1,194)**	3,367

10. INCOME TAX (CREDIT)/EXPENSE – CONTINUED

(b) Income tax expense for the year can be reconciled to the Group's (loss)/ profit before income tax as follows:

	2020 HK$'000	2019 HK$'000
(Loss)/Profit before income tax	**(72,012)**	4,472
Tax at applicable tax rate of 16.5% (2019: 16.5%)	**(11,882)**	738
Tax effect of expenses not deductible for tax purposes	**9,536**	106
Tax effect of temporary differences not recognised	**653**	1,700
Tax effect of income not taxable for tax purposes	**(2)**	(2)
(Over)/Under provision in prior years	**(170)**	80
Tax effect of unused tax losses not recognised	**691**	417
Difference between average tax rates for deferred tax measurement purposes and current tax rate	**–**	348
Others	**(20)**	(20)
Income tax (credit)/expense	**(1,194)**	3,367

There was an unutilised tax losses of the Company as at 31 March 2020 amounted to HK$92,343,000 (2019: HK$94,495,000), which are subject to the agreement of the Hong Kong Inland Revenue Department. This balance may be carried forward indefinitely. The directors are in the opinion that no taxable income would be recognised in the foreseeable future.

No deferred tax asset for such losses has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised due to the unpredictability of future profits streams of the Company and its subsidiaries.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2019: Nil).

12. (LOSS)/EARNINGS PER SHARE

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

	2020 **HK$'000**	2019 HK$'000
(Loss)/Profit for the year attributable to owners of the Company	**(70,661)**	1,267
Number of shares		
Weighted average number of ordinary shares ('000) for the purpose of basic (loss)/earnings per share	**1,966,388**	1,679,062

No dilutive (loss)/earnings per share is presented as there was no potential ordinary shares in issue during the years ended 31 March 2020 and 2019.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The emoluments paid or payable to each of the directors, who are also considered as key management personnel of the Company, during the year are as follows:

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contribution	Discretionary bonus	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2020					
Executive directors					
Lun Yiu Kay Edwin	–	–	–	–	–
Ng Tze Ho Joseph	80	–	3	50	133
	80	–	3	50	133
Independent non-executive directors					
Tse Kwing Chuen	180	–	–	50	230
Ng Hung Sui Kenneth	180	–	–	50	230
Lau Shu Kan	180	–	–	50	230
	540	–	–	150	690
Total	620	–	3	200	823

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

(a) The emoluments paid or payable to each of the directors, who are also considered as key management personnel of the Company, during the year are as follows: – continued

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contribution	Discretionary bonus	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2019					
Executive directors					
Lun Yiu Kay Edwin	600	–	2	–	602
Ng Tze Ho Joseph	80	–	3	50	133
	680	–	5	50	735
Independent non-executive directors					
Tse Kwing Chuen	180	–	–	50	230
Ng Hung Sui Kenneth	180	–	–	50	230
Lau Shu Kan	180	–	–	50	230
	540	–	–	150	690
Total	1,220	–	5	200	1,425

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

(b) Five highest paid individuals

The five highest paid individuals of the Group did not include any directors (2019: one director) whose emolument is included in the disclosures above. The emoluments of the remaining five (2019: four) individuals were as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and other benefits	**2,510**	2,302
MPF contributions	**83**	70
	2,593	2,372

The emoluments of the remaining five (2019: four) individuals fell within the following band:

	No. of individuals	
	2020	2019
Nil to HK$1,000,000	**5**	4

(c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: Nil). None of the directors or any of the highest paid individuals waived or agreed to waive any emoluments during the year (2019: nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Office property HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost				
At 1 April 2018	686,275	–	7,201	693,476
Additions	–	–	382	382
Additions through acquisition of a subsidiary (note 27)	–	168,639	–	168,639
Disposals	–	–	(15)	(15)
At 31 March 2019 and 1 April 2019	686,275	168,639	7,568	862,482
Additions	–	163	553	716
Disposals	–	–	(11)	(11)
Reclassified to investment property (note 15)	–	(168,802)	–	(168,802)
At 31 March 2020	686,275	–	8,110	694,385
Accumulated depreciation and impairment				
At 1 April 2018	227,330	–	5,049	232,379
Charged for the year	17,157	1,686	762	19,605
Written back on disposals	–	–	(11)	(11)
At 31 March 2019 and 1 April 2019	244,487	1,686	5,800	251,973
Charged for the year	17,156	3,217	699	21,072
Reclassified to investment property (note 15)	–	(4,903)	–	(4,903)
Written back on disposals	–	–	(9)	(9)
At 31 March 2020	261,643	–	6,490	268,133
Net carrying value				
At 31 March 2020	424,632	–	1,620	426,252
At 31 March 2019	441,788	166,953	1,768	610,509

At 31 March 2020, the Group's hotel property was located in Hong Kong and was pledged to a bank for granting loan to the Group amounting to HK$21,453,000 (2019: HK$30,920,000) (Note 18).

15. INVESTMENT PROPERTY

	Leasehold land HK$'000	Office property HK$'000	Total HK$'000
Cost			
At 1 April 2018	12,000	–	12,000
Addition	–	–	–
At 31 March 2019 and 1 April 2019	12,000	–	12,000
Reclassified from property, plant and equipment (note 14)	–	168,802	168,802
At 31 March 2020	12,000	168,802	180,802
Accumulated depreciation and impairment			
At 1 April 2018	3,171	–	3,171
Charged for the year	302	–	302
At 31 March 2019 and 1 April 2019	3,473	–	3,473
Charged for the year	301	–	301
Reclassified from property, plant and equipment (note 14)	–	4,903	4,903
Impairment loss	–	43,319	43,319
At 31 March 2020	3,774	48,222	51,996
Net carrying value			
At 31 March 2020	8,226	120,580	128,806
At 31 March 2019	8,527	–	8,527

15. INVESTMENT PROPERTY – CONTINUED

The balance represents a piece of agricultural land held by the Group under medium term leases in Hong Kong and office property located at Admiralty under medium term leases. The Group has not yet determined the future use of the land and currently holds the property for capital appreciation.

The valuation is carried out on a Market Value basis. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeable, prudently and without compulsion".

The fair value of the leasehold land as at 31 March 2020 was approximately HK$24,700,000. The fair value was determined by independent professional qualified valuer, Knight Frank Petty Limited, with reference to recent market prices of similar properties as observable input. At the end of reporting period, no impairment of the leasehold land is considered.

The fair value of leasehold land is determined based on the market observable comparable prices of similar properties ranging from HK$79 to HK$319 per sq. feet, and adjusted taking into account mainly location, zoning and permitted land use, accessibility, size and surrounding. The higher the price, the higher the fair value. The fair value is based on observable inputs other than unadjusted quoted price and corroborated by observable market data, and is therefore under level 3 hierarchy.

The office property was recognised as owner-occupied property as it was utilised as self-use office as at 31 March 2019. The office property became vacant and targeted to be leased out for rental income on 26 March 2020. As such, the office property was reclassified from property, plant and equipment to investment property.

The fair value of the office property as at 31 March 2020 was approximately HK$122,000,000. The fair value was determined by independent professional qualified valuer, Knight Frank Petty Limited, with reference to recent market prices of similar properties as observable input. At the end of reporting period, an impairment loss of HK$43,319,000 was recognised as the commercial properties market in Hong Kong was deteriorated due to the negative impact from the social incidents in Hong Kong and outbreak of COVID-19 during the year ended 31 March 2020.

The fair value of office property is determined based on the market observable comparable prices of similar properties ranging from HK$64,409 to HK$72,824 per sq. feet, and adjusted taking into account mainly location, size, floor, view and year of completion. The higher the price, the higher the fair value. The fair value is based on observable inputs other than unadjusted quoted price and corroborated by observable market data, and is therefore under level 3 hierarchy.

16. INVENTORIES

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

17. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**8,057**	9,850
Less: Provision for impairment loss	**(6,700)**	(6,512)
	1,357	3,338
Deposits, prepayments and other receivables	**1,564**	1,083
	2,921	4,421

The Group allows an average credit period of one week (2019: 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, based on invoice date and net of allowance, at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Within 30 days	**341**	2,588
31 – 60 days	**–**	–
61 – 90 days	**122**	–
Over 90 days	**894**	750
	1,357	3,338

17. TRADE AND OTHER RECEIVABLES – CONTINUED

At 31 March 2020, included in the allowance for doubtful debts of HK$6,700,000 (2019: HK$6,512,000) are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than 90 days and the management assessed in the current year that only a portion of the trade receivables are expected to be recovered. Normally, other than those receivables are secured by deposits, the Group does not hold any collateral over these receivables. The movement in the allowance for doubtful debts during the year is as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 April	**6,512**	11,062
Increase/(Decrease) in expected credit losses (note 9)	**188**	(4,550)
At 31 March	**6,700**	6,512

An impairment analysis was performed at 31 March 2020 and 2019 using a provision matrix to measure expected credit losses. The provision rates are based on invoice date for grouping of various customer segments with similar loss patterns. The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

17. TRADE AND OTHER RECEIVABLES – CONTINUED

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on the aging analysis by invoice date:

31 March 2020	Within 30 days	31-60 days	61-90 days	Over 90 days	Total
Expected loss rate (%)	0.00%	0.00%	0.00%	88.22%	
Gross carrying amount (HK$'000)	341	–	122	7,594	8,057
Expected credit losses (HK$'000)	–	–	–	6,700	6,700

31 March 2019	Within 30 days	31-60 days	61-90 days	Over 90 days	Total
Expected loss rate (%)	0.00%	0.00%	0.00%	89.67%	
Gross carrying amount (HK$'000)	2,588	–	–	7,262	9,850
Expected credit losses (HK$'000)	–	–	–	6,512	6,512

18. BANK LOAN

	2020 HK$'000	2019 HK$'000
Secured bank instalment loan	21,453	30,920

(a) The bank loan is denominated in HK$, carried at a variable interest rate with reference to HIBOR. At 31 March 2020, effective interest rate of the bank instalment loan is 2.67% (2019: 1.99%) per annum.

(b) The bank loan is secured by the first legal charge of the hotel property of the Group (Note 14), and the corporate guarantee from the Company.

18. BANK LOAN – CONTINUED

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

	2020 HK$'000	2019 HK$'000
On demand or within one year	**9,749**	9,556
More than one year, but not exceeding two years	**10,009**	9,747
More than two years, but not exceeding five years	**1,695**	11,617
	11,704	21,364
	21,453	30,920
Carrying amount of bank loan for repayment after one year which contains a repayment on demand clause (shown under current liabilities) (note d)	**11,704**	21,364

(d) Bank loan with carrying amount of approximately HK$11,704,000 (2019: HK$21,364,000) as at 31 March 2020 that is repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreement, with repayment on demand clause, has been classified as current liability as at 31 March 2020 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.

19. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities arising from:		
Hotel room sales to walk-in customers	**426**	–

19. CONTRACT LIABILITIES – CONTINUED

Typical payment terms which impact on the amount of contract liabilities are as follows:

Hotel room sales to walk-in customers

The Group would collect lump-sum receipts in advance from the customers who entered into the period of hotel accommodation for (i) less than 3 days of hotel accommodation for non long-stay customers and (ii) hotel accommodation income received in weekly basis for long-stay customers. Whenever the progress towards complete satisfaction or the relevant performance obligation is passed. Such contract liabilities would be derecognised and the respective amount would be recognised as revenue. The balance of contract liabilities would be expected to be recognised as revenue in next financial year.

Movements in contract liabilities

	2020	2019
	HK$'000	HK$'000
At 1 April	–	–
Decrease in contract liabilities as a result of recognising revenue during the year that was recognised in the contract liabilities during the year	**(150)**	–
Increase in contract liabilities as a result of receipts in advance	**576**	–
At 31 March	**426**	–

20. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.02 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	3,000,000,000	60,000
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At 1 April 2018	1,310,925,244	26,218
Issuance of new shares (note)	655,462,622	13,110
At 31 March 2019, 1 April 2019 and 31 March 2020	1,966,387,866	39,328

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

Note: On 7 September 2018, the Company issued 655,462,622 ordinary shares on the basis of one ordinary share 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$163,866,000 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$147,278,000 after netting off with the related share issue expense of HK$3,478,000.

21. RESERVES

(i) Share premium

The balance represents the premium arising from the issue of shares at a price in excess of their par value per share.

(ii) Contributed surplus

As advised by the Company's Bermuda counsel on 5 September 2008, the credit arising on the cancellation of the share capital under the Capital Reorganisation may be used in such manner as including contributing the credit arising to the Company's contributed surplus account, which is a distributable reserve of the Company, after the approval of the shareholders at the special general meeting.

(iii) Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contribution surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018	57,556	129	104,874	37,257	199,816
Issuance of new shares	147,278	–	–	–	147,278
Loss and total comprehensive income for the year	–	–	–	(1,360)	(1,360)
At 31 March 2019 and 1 April 2019	204,834	129	104,874	35,897	345,734
Profit and total comprehensive income for the year	–	–	–	1,716	1,716
At 31 March 2020	204,834	129	104,874	37,613	347,450

22. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movement during the current and prior years is as follows:

	Tax losses HK$'000	Accelerated depreciation HK$'000	Total HK$'000
At 1 April 2018	–	11,449	11,449
Charged to profit or loss (note 10(a))	–	1,121	1,121
Addition through acquisition of a subsidiary (note 27)	–	201	201
At 31 March 2019 and 1 April 2019	–	12,771	12,771
(Credited)/Charged to profit or loss (note 10(a))	(2,862)	1,833	(1,029)
At 31 March 2020	(2,862)	14,604	11,742

23. RELATED PARTY TRANSACTIONS

As at 31 March 2020, 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) During the year, the Group entered into the following transactions with the related parties:

Related party relationship	**Type of transaction**	**2020 HK$'000**	2019 HK$'000
Company controlled by the director	Purchase of foods and beverages	8	–

(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.

(c) Amount due to a related party represented an amount advanced from a related company of a director and shareholder of the Company. The amount is unsecured, interest bears at HIBOR plus 1.4% per annum and repayable on demand.

23. RELATED PARTY TRANSACTIONS – CONTINUED

(d) Compensation of key management personnel

The emoluments of key management personnel (comprising of directors only) during the year were as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	820	1,420
Contributions to retirement benefits schemes	3	5
	823	1,425

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

	No. of individuals 2020	2019
Nil to HK$1,000,000	5	5

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		–	1
Interests in subsidiaries	25	**387,968**	383,452
		387,968	383,453
Current assets			
Deposits and prepayments		**101**	78
Amounts due from related parties		–	38
Cash and bank balances		**1,012**	3,396
		1,113	3,512
Current liabilities			
Other payables and accrued charges		**600**	548
Amounts due to subsidiaries		**1,703**	1,355
		2,303	1,903
Net current (liabilities)/assets		**(1,190)**	1,609
Net assets		**386,778**	385,062
EQUITY			
Share capital	20	**39,328**	39,328
Reserves	21(iii)	**347,450**	345,734
Total equity		**386,778**	385,062

On behalf of the Board

Lun Yiu Kay Edwin *Director*	**Ng Tze Ho Joseph** *Director*

25. INTERESTS IN SUBSIDIARIES

	2020 HK$'000	2019 HK$'000
Unlisted shares, at cost	**1,000**	500
Amounts due from subsidiaries (note (a))	**387,149**	383,133
	388,149	383,633
Less: Provision for impairment loss	**(181)**	(181)
	387,968	383,452

(a) Amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans, except for an amount due from a subsidiary of HK$176 million bear interest at HIBOR plus 0.60% per annum.

(b) Amount due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Particulars of the principal subsidiaries as at 31 March 2020 are set out below:

Name of subsidiary	Place of incorporation and operation	Particular of issued and fully paid up share capital/ registered capital	Effective interest held by the Company Directly	Effective interest held by the Company Indirectly	Principal activities
City Promenade Limited	Hong Kong	Paid-up capital of HK$2	–	100%	Hotel operation
Perfect Plan Development Limited	Hong Kong	Paid-up capital of HK$100	–	51%	Property holding
Goodnews Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100%	–	Investment holding
Castle Charm Limited	Hong Kong	Paid-up capital of HK$2	–	100%	Property holding

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

26. NON-CONTROLLING INTERESTS

Perfect Plan Development Limited ("Perfect Plan"), a 51% owned subsidiary of the Company, has material non-controlling interests.

Summarised financial information in relation to non-controlling interests of Perfect Plan, before intra-group eliminations, is presented below:

	2020 HK$'000	2019 HK$'000
For the year ended 31 March		
Revenue	–	–
Loss for the year	**320**	330
Total comprehensive income for the year	**320**	330
Loss for the year allocated to non-controlling interests	**157**	162
Net cash flows used in operating activities	**(1)**	(1)
Net decrease in cash and cash equivalents	**(1)**	(1)
As at 31 March		
Current assets	**62**	62
Non-current assets	**8,226**	8,528
Current liabilities	**(13,369)**	(13,351)
Net liabilities	**(5,081)**	(4,761)
Accumulated non-controlling interests	**(2,490)**	(2,333)

27. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

Acquisition of Castle Charm Limited ("Castle Charm")

On 27 September 2018, the Group completed acquiring 100% equity interest of Castle Charm for a cash consideration of HK$167,665,000 (including the acquisition related costs of HK$3,639,000 incurred during acquisition). The acquisition was made for the purpose of using the property as the Group's office.

The fair values of the identifiable assets and liabilities acquired in the transaction are as follows:

	HK$'000
Property, plant and equipment (note 14)	168,639
Prepayment, deposit and other receivables	25
Accrual and other payables	(720)
Tax payable	(78)
Deferred tax liabilities	(201)
Net assets	167,665
Total consideration satisfied by:	
Cash	167,665
Analysis of net cash outflows arising on acquisition of assets through acquisition of Castle Charm:	
Consideration paid by cash	167,665

28. CONTINGENT LIABILITIES

At the end of the reporting period, the Company provided a financial guarantee to a bank for the banking facilities of an aggregate amount of approximately HK$21,453,000 (2019: HK$530,920,000) granted to its subsidiaries. The amount utilised by the subsidiaries amount to approximately HK$21,453,000 (2019: HK$30,920,000) as at 31 March 2020. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The Company has not recognised any deferred income in respect of the guarantees as the fair value is insignificant and its transaction price was nil. The Company had not recognisied any provision in the Company's financial statement as at 31 March 2020 as the directors considered that the probability for the holder of the guarantees to call upon the Company as a result of default in the repayment is remote.

29. LEASES

Disclosures under HKFRS 16

HKFRS 16 was adopted from 1 April 2019 without restatement of comparative figures. For an explanation of transitional requirements that were applied as at 1 April 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 April 2019, as disclosed in note 4(i).

The Group

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. Lease payment were paid in full when the property leases were acquired.

29. LEASES – CONTINUED

Disclosures under HKFRS 16 – continued

The Group – continued

Nature of leasing activities (in the capacity as lessee) – continued

(i) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Carried at depreciated cost and net of impairment loss		
Hotel property classified as property, plant and equipment	**424,632**	441,788
Office property classified as property, plant and equipment	–	166,953
Office property classified as investment property	**120,580**	–
Leasehold land classified as investment property	**8,226**	8,527
	553,438	617,268

	Hotel property HK$'000	**Office property** HK$'000	**Leasehold land** HK$'000	**Total** HK$'000
As at 1 April 2019 (initial application of HKFRS 16)	441,788	166,953	8,527	617,268
Addition	–	163	–	163
Depreciation	(17,156)	(3,217)	(301)	(20,674)
Impairment loss	–	(43,319)	–	(43,319)
	424,632	120,580	8,226	553,438

29. LEASES – CONTINUED

Disclosures under HKFRS 16 – continued

The Group – continued

Nature of leasing activities (in the capacity as lessee) – continued

(i) Right-of-use assets – continued

The Group's hotel property, office property and leasehold land are held under medium term leases ranged from 50 years to 75 years and situated in Hong Kong where the Group's principal business activities were performed.

As at 31 March 2020, the Group's hotel property with an aggregate carrying amount of approximately HK$424,632,000 (2019: HK$441,788,000) were pledged to secure general banking facilities granted to the Group.

The Company

Nature of leasing activities (in the capacity as lessee)

The Company leases an office property from its subsidiary, Castle Charm in Hong Kong. The periodic rent of property lease is fixed over the lease term. As the leasing agreement between the Company and Castle Charm was early terminated on 26 March 2020, the respective right-of-use assets and lease liabilities were derecognised.

(i) Right-of-use assets

	Office property HK$'000
As at 1 April 2019 (initial application of HKFRS 16)	5,085
Depreciation	(2,856)
Modification of lease contract	(2,229)
As at 31 March 2020	–

The office property leased for own use carried at depreciated cost over lease term of 2 years.

29. LEASES – CONTINUED

Disclosures under HKFRS 16 – continued

The Company – continued

Nature of leasing activities (in the capacity as lessee) – continued

(ii) Lease liabilities

	Office property HK$'000
As at 1 April 2019 (initial application of HKFRS 16)	5,819
Interest expense	138
Lease payments	(1,485)
Modification of lease contract	(4,472)
As at 31 March 2020	–

Future lease payments are due as follows:

	Minimum lease payments HK$'000	**Interest** HK$'000	**Present value** HK$'000
As at 1 April 2019			
Not later than one year	3,737	82	3,655
Later than one year and not later than two years	2,270	106	2,164
	6,007	188	5,819

The Company has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to lease which were previously classified as operating lease under HKAS 17. Comparative information as at 31 March 2019 has not been restated.

29. LEASES – CONTINUED

Disclosures under HKFRS 16 – continued

The Company – continued

Nature of leasing activities (in the capacity as lessee) – continued

(ii) Lease liabilities – continued

The present value of future lease payments are analysed as:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Current liabilities	–	3,655
Non-current liabilities	–	2,164
	–	5,819

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank loan (note 18) HK$'000	Amount due to a related party (note 23(c)) HK$'000
At 1 April 2018	40,284	–
Changes from financing cash flows:		
Repayments of bank loan	(9,364)	–
Interest paid	(721)	–
	(10,085)	–
Other change:		
Interest expense	721	–
At 31 March 2019 and 1 April 2019	30,920	–
Changes from financing cash flows:		
Repayments of bank loan	(9,485)	–
Advance from a related party	–	9,000
Interest paid	(676)	(37)
	(10,161)	8,963
Other change:		
Interest expense	694	49
At 31 March 2020	21,453	9,012

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes bank loan as disclosed in Note 18 and amount due to a related party, less cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 20 and 21 respectively.

The Group's management reviews the capital structure periodically. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts. No changes were made to the objectives or policies for both years.

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

	2020 **HK$'000**	2019 HK$'000
Debts	**30,465**	30,920
Cash and cash equivalents	**(7,760)**	(30,239)
	22,705	681
Equity	**511,260**	582,078
Debt to equity ratio	**4.44%**	0.12%

32. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Group's principal financial assets are cash and bank balances and trade receivables.

The Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the consolidated statement of financial position are net of provisions for doubtful receivables. Provision for impairment is made where there are expected credit losses from assessment by past events, current conditions and forecasts of future economic conditions.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's credit history and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables is set out in note 17.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority.

32. FINANCIAL RISK MANAGEMENT – CONTINUED

(b) Liquidity risk – continued

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and the related company wholly owned by a controlling shareholder to meet its liquidity requirements in the short and longer term.

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
2020			
Other payables, deposits received and accrued charges	5,524	5,524	5,524
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Amount due to a related party	9,012	9,012	9,012
Bank loan	21,453	21,453	21,453
	42,403	42,403	42,403
2019			
Other payables, deposits received and accrued charges	20,615	20,615	20,615
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Bank loan	30,920	30,920	30,920
	57,949	57,949	57,949

32. FINANCIAL RISK MANAGEMENT – CONTINUED

(b) Liquidity risk – continued

Included in the interest-bearing bank loan is instalment loan which the related agreement contains repayment on demand clause giving the bank unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

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

In accordance with the terms of the loans, the contracted undiscounted payments are as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
31 March 2020	21,453	22,096	10,198	10,198	1,700
31 March 2019	30,920	31,926	10,082	10,082	11,762

(c) Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's bank loan and amount due to a related party with a floating interest rate. Interest rate and terms of repayment of the Group's borrowing are disclosed in Note 18 and Note 23(c). The Group's policy is to obtain the most favourable interest rate available for its borrowings.

32. FINANCIAL RISK MANAGEMENT – CONTINUED

(c) Interest rate risk – continued

Sensitivity analysis

At 31 March 2020, it is estimated that a general increase/decrease of 50 basis points in interest rate, with all other variables held constant, would increase/decrease the Group's loss for the year and decrease/increase retained profits by approximately HK$127,000 (2019: decrease/increase the Group's profit for the year and retained profits by approximately HK$129,000).

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for loan outstanding in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting date. The analysis is performed on the same basis for 2019.

(d) Currency risk

Each member of the group company mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2020 and 2019.

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2020 and 2019 may be categorised as follows:

	2020	2019
	HK$'000	HK$'000
Financial assets at amortised costs		
Trade and other receivables, net	**1,888**	3,665
Amounts due from related parties	**–**	38
Cash and bank balances	**7,760**	30,239
	9,648	33,942

	2020	2019
	HK$'000	HK$'000
Financial liabilities at amortised costs		
Other payables, deposits received and accrued charges	**5,524**	20,615
Amount due to a non-controlling shareholder of a subsidiary	**6,414**	6,414
Amount due to a related party	**9,012**	–
Bank loan	**21,453**	30,920
	42,403	57,949

34. MATERIAL INTEREST OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in Note 23 "Related Party Transactions" of this report, no transaction, arrangement or contract of significance to the Company's business to which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly were entered into or subsisting during the financial year (2019: Nil).

35. LITIGATIONS

In 2008, Winland Mortgage Limited ("Winland Mortgage"), a wholly-owned subsidiary of the Company, made a loan to an independent third party borrower (the "Borrower") on security of a property (the "Security Property") and subsequently the Borrower defaulted to repay the loan. On 10 July 2009, the Borrower entered into a provisional sale and purchase agreement with an independent third party purchaser (the "Purchaser") with the terms of leasing back of the Security Property to the related company of the Borrower. The rental deposits and first month rental in advance in total of HK$4,550,000 (the "Sum") were deducted from the balance of sale proceeds which formed part of redemption money for the mortgage of the Security Property. The sale and purchase of the Security Property was completed on 17 December 2009 but no lease was entered by the Purchaser and the Sum should be returned to Winland Mortgage. However, the Purchaser refused to return the Sum.

In July 2015, Winland Mortgage commenced the legal action (HCA no. 1509 of 2015) against the Purchaser for recovery of the Sum. The witness statements were exchanged between the parties on 6 September 2018, and all necessary discovery and pretrial procedures were completed during the year ended 31 March 2020. There is no counterclaim lodged by the Purchaser and the full trial for 7 days will begin on 14 October 2020. Up to the date of approval of these financial statements, in the opinion of the Group's legal advisors, they are unable to anticipate the likely outcome.

The directors are of the opinion that the case is still under preliminary stage as the full trial is yet to be commenced. It is not possible to predict the outcome.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 23 June 2020.

FINANCIAL SUMMARY

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Results					
Year ended 31 March					
Revenue	**43,541**	72,195	62,164	84,885	134,212
(Loss)/Profit and total comprehensive income	**(70,818)**	1,105	(264)	(672)	35,603
(Loss)/Profit and total comprehensive income attributable to owners of the Company	**(70,661)**	1,267	(107)	(516)	35,759
Assets and liabilities					
As at 31 March					
Total assets	**565,835**	653,865	499,109	522,831	531,103
Total liabilities	**(54,575)**	(71,787)	(78,524)	(101,982)	(109,582)
Non-controlling interests	**2,490**	2,333	2,171	2,014	1,858
Equity attributable to equity holders of the Company	**513,750**	584,411	422,756	422,863	423,379

PARTICULARS OF PRINCIPAL PROPERTIES

Particulars of the Group's principal properties as at 31 March 2020 are as follows:

HOTEL PROPERTY

Address	Type	Tenure	Group's interest
Hotel 2 Rambler Crest No. 1 Tsing Yi Road Tsing Yi New Territories Hong Kong	Commercial	Medium lease	100%

LAND

Address	Site Area (Sq. ft)	Lease Expiry	Group's interest
D.D. 243 in Sai Kung New Territories Hong Kong (certain lots)	164,420	2047	51%

OFFICE PROPERTY

Address	Type	Tenure	Group's interest
Office 4701 on 47th Floor Far East Finance Centre No. 16 Harcourt Road Hong Kong	Commercial	Medium lease	100%

MEXAN LIMITED
茂盛控股有限公司