



MEXAN LIMITED
茂盛控股有限公司

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

Interim Report **2020/21**



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

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

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

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

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Lun Yiu Kay Edwin (*Chairman*)

Ng Tze Ho Joseph

Independent Non-Executive Directors:

Tse Kwing Chuen

Ng Hung Sui Kenneth

Lau Shu Kan

COMPANY SECRETARY

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

HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Winland 800 Hotel

Hotel 2, Rambler Crest

No. 1 Tsing Yi Road

Tsing Yi

New Territories

Hong Kong

PRINCIPAL REGISTRAR

MUFG Fund Services

(Bermuda) Limited

26 Burnaby Street

Hamilton

HM 11

Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

WEBSITE

www.mexanhk.com

STOCK CODE

22

The board (the “Board”) of directors (the “Directors”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2020. The results have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 together with the comparative figures for the corresponding previous period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Unaudited Six months ended 30 September	
	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	6	8,947	32,599
Direct costs		(8,204)	(12,380)
Gross profit		743	20,219
Other income	6	491	115
Administrative and other operating expenses		(11,725)	(12,495)
Depreciation and amortisation		(10,326)	(10,776)
Decrease/(Increase) of impairment loss on trade receivables		745	(159)
Impairment loss on property, plant and equipment		–	(17,129)
Finance costs	8	(763)	(381)
Loss before income tax	9	(20,835)	(20,606)
Income tax expense	10	(3,336)	(1,722)
Loss and total comprehensive income for the period		(24,171)	(22,328)
Loss and total comprehensive income attributable to:			
Owners of the Company		(24,038)	(22,254)
Non-controlling interests		(133)	(74)
		(24,171)	(22,328)
Loss per share attributable to owners of the Company – basic and diluted (HK cents)	11	(1.222)	(1.132)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	417,733	426,252
Investment property		127,397	128,806
		545,130	555,058
Current assets			
Inventories		91	95
Trade and other receivables	14	1,623	2,921
Tax recoverable		1	1
Cash and bank balances		15,360	7,760
Amount due from a related party	17(a)	70	–
		17,145	10,777
Current liabilities			
Other payables, deposits received and accrued charges		6,396	5,524
Bank loans	15	46,558	21,453
Contract liabilities		737	426
Amount due to a non-controlling shareholder of a subsidiary	17(a)	6,414	6,414
Amount due to a related party		–	9,012
Tax payable		–	4
		60,105	42,833

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2020

		Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
	Notes		
Net current liabilities		(42,960)	(32,056)
Total assets less current liabilities		502,170	523,002
Non-current liabilities			
Deferred tax liabilities		15,081	11,742
Net assets		487,089	511,260
EQUITY			
Share capital	16	39,328	39,328
Reserves		450,384	474,422
Equity attributable to owners of the Company		489,712	513,750
Non-controlling interests		(2,623)	(2,490)
Total equity		487,089	511,260



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 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
(Audited)								
At 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 period	-	-	-	-	(22,254)	(22,254)	(74)	(22,328)
(Unaudited)								
At 30 September 2019	39,328	204,834	129	104,874	212,992	562,157	(2,407)	559,750
(Audited)								
At 1 April 2020	39,328	204,834	129	104,874	164,585	513,750	(2,490)	511,260
Loss and total comprehensive income for the period	-	-	-	-	(24,038)	(24,038)	(133)	(24,171)
(Unaudited)								
At 30 September 2020	39,328	204,834	129	104,874	140,547	489,712	(2,623)	487,089

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

		Unaudited	
		Six months ended	
		30 September	
		2020	2019
	Notes	HK\$'000	HK\$'000
Operating activities			
Loss before income tax		(20,835)	(20,606)
Interest income	6	(91)	(11)
Interest expense	8	735	371
Depreciation of property, plant and equipment	9	8,917	10,625
Depreciation of investment property	9	1,409	151
Provision for impairment loss on property, plant and equipment		–	17,129
(Decrease)/Increase of impairment loss on trade receivables		(745)	159
Loss on disposal of property, plant and equipment		1	–
Operating (loss)/profit before working capital changes		(10,609)	7,818
Decrease/(Increase) in inventories		4	(5)
Decrease/(Increase) in trade and other receivables		2,043	(2,000)
Increase/(Decrease) in other payables, deposits received and accrued charges		872	(10,431)
Increase in contract liabilities		311	–
Increase in amount due from a related party		(70)	–
Net cash used in operations		(7,449)	(4,618)
Interest received		91	11
Interest paid		(735)	(371)
Income tax paid		(1)	–
Net cash used in operating activities		(8,094)	(4,978)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 September 2020

	Notes	Unaudited Six months ended 30 September 2020 HK\$'000	2019 HK\$'000
Investing activities			
Purchases of property, plant and equipment		(400)	(598)
Proceeds from disposal of property, plant and equipment		1	–
Net cash used in investing activities		(399)	(598)
Financing activities			
Drawdowns of bank loans		30,003	–
Repayment of bank loans		(4,898)	(4,717)
Advances from a related party		81,000	–
Repayment to a related party		(90,012)	–
Net cash generated from/(used in) financing activities		16,093	(4,717)
Increase/(Decrease) in cash and cash equivalents		7,600	(10,293)
Cash and cash equivalents at beginning of period		7,760	30,239
Cash and cash equivalents at end of period		15,360	19,946
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		15,360	19,946

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mexan Limited (the “Company”) was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of registered office and principal place of operation of the Company are disclosed in the “Corporate Information” section to the interim report. The Company is an investment holding company. The Company and its subsidiaries are collectively referred to as the “Group”.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2020 (the “Unaudited Condensed Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 25 November 2020.

The Unaudited Condensed Interim Financial Statements have been prepared with the same accounting policies adopted in the 2020 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. Details of any changes in accounting policies are set out in note 4. The adoption of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) have no material effect on the Unaudited Condensed Interim Financial Statements.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (Continued)

The preparation of the Unaudited Condensed Interim Financial Statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the Unaudited Condensed Interim Financial Statements and their effect are disclosed in note 5.

The Unaudited Condensed Interim Financial Statements are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated. The Unaudited Condensed Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The Unaudited Condensed Interim Financial Statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2020 consolidated financial statements.

The Unaudited Condensed Interim Financial Statements has been prepared on a going concern basis, notwithstanding the fact that the Group had net current liabilities of HK\$42,960,000 (31 March 2020: HK\$32,056,000 (audited)) as at 30 September 2020.

2. BASIS OF PREPARATION 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) On 23 September 2020, the Group has been granted a revolving loan banking facility of HK\$100 million by a banking institution in Hong Kong. The revolving loan banking facility was interest-bearing at Interbank Offered Rate (“IBOR”) as determined by the bank over 1.4% and secured by the hotel property. In addition, corporate guarantees has been provided from the Company and a related company that a Company’s director is the director, and personal guarantee has been provided by a director of the Company. As at 30 September 2020, HK\$30 million has been utilised and the remaining HK\$70 million is expected to be the available source of fund to ensure sufficiency of working capital.
- (ii) The net assets of approximately HK\$487,089,000, the Group should be able to secure additional loan facilities, if necessary.
- (iii) The Group has bank loan with carrying amount of approximately HK\$6,840,000 as at 30 September 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 30 September 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. 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.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (Continued)

Based on the above, the directors are satisfied that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements within the next twelve months from the end of the reporting period and it is appropriate to prepare the Unaudited Condensed Interim 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 Unaudited Condensed Interim 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 Unaudited Condensed Interim Financial Statements.

3. SIGNIFICANT EVENTS

The significant events and transactions that have occurred since 31 March 2020 relate to the effects of the global pandemic of COVID-19 on the Group's Unaudited Condensed Interim Financial Statements for the six months ended 30 September 2020 and are summarised as follows.

(a) Repayment of loans from a related company

As mentioned in 2020 annual financial statements, a related company advanced loans (the "Loans") in total of HK\$90 million to the Group on 13 January 2020, 13 February 2020, 14 April 2020, 13 May 2020 and 3 June 2020 respectively. On 29 September 2020, the Group has fully repaid the Loans by cash of HK\$70 million and advance from revolving loan banking facility of HK\$20 million.

3. SIGNIFICANT EVENTS (Continued)

(b) *Government grants obtained from Anti-Epidemic Fund*

The Group applied for various government support programmes introduced by the Government of Hong Kong Special Administrative Region (the “Government”) in response to the global COVID-19 pandemic. During the six months period ended 30 September 2020, government grants in total of HK\$3,056,000 have been recognised in the consolidated profit or loss, which represented the below:–

- (i) HK\$400,000 was received from Anti-Epidemic Fund – Hotel Sector Support Scheme, which provided subsidies to the hotel sector. Eligible hotel must have valid hotel licence under the Hotel and Guesthouse Accommodation Ordinance as at 21 February 2020 and continues to hold a valid hotel licence when the subsidy is disbursed by the Government. Each eligible hotel with 101 or more licensed guestrooms could receive an one-off subsidy of HK\$400,000. The subsidy has been fully received by the Group on 2 June 2020. The amount has been recognised as other income in the Unaudited Condensed Interim Financial Statements.
- (ii) HK\$2,656,000 was received from Anti-Epidemic Fund – First tranche of Employment Support Scheme in relation to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. Mandatory Provident Fund Accounts of employers and employees are required to be set up on or before 31 March 2020 for the eligibility of employers to apply the subsidy. The first tranche of subsidies are used for paying wages of employees from June to August 2020. The Group had to undertake and warrant that it will not implement redundancies during the subsidy period, and spend all the wage subsidies on paying wages to its employees. The subsidy has been fully received by the Group on 26 June 2020 and 14 August 2020. The amount has been recognised as cost reduction and are presented net of respective cost categories.

4. CHANGES IN ACCOUNTING POLICIES

The Group has applied the same accounting policies in the Unaudited Condensed Interim Financial Statements as in its 2020 annual consolidated financial statements, except that it has adopted the following amendments to HKFRSs:

- Amendments to HKFRS 16: COVID-19-Related Rent Concessions, which is not yet effective for the current accounting period but early adopted by the Group.

Amendments to HKFRS 16: COVID-19-Related Rent Concessions

Effective from 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

There were no rent concessions granted to the Group for the period ended 30 September 2020, therefore the early adoption of Amendments to HKFRS 16 has no impact to the Unaudited Condensed Interim Financial Statements.

5. USE OF JUDGEMENTS AND ESTIMATES

In preparing the Unaudited Condensed Interim Financial Statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual financial statements.

However, as disclosed in Note 3, the effects of COVID-19 have required significant judgements and estimates to be made, especially for assessing whether the entity has reasonable assurance as to whether it will comply with the conditions attached to government grants.

As mentioned in note 2, the directors do not consider that there are material uncertainties that cast doubt on the Group's going concern status over the course of the next twelve months, including the consideration of the effects from COVID-19 pandemic to the financial performance of the Group. This judgement was made with consideration of the Group's liquidity position, given the availability of undrawn finance facilities in place and the Group's cash flows forecast based on the assumptions explained in note 2. The forecast indicates that it is appropriate for the going concern basis to be adopted in preparing the interim report and financial statements, and that there are no material uncertainties over the assumptions underpinning this judgement that are required to be disclosed.



6. 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:

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales to contracted sales agents/hotel room leasing income	–	22,527
– Hotel room sales to walk-in customers	7,836	8,241
– Food and beverage income	1,106	1,689
– Miscellaneous sales	5	142
	8,947	32,599
Time of revenue recognition		
– Over time/Over the lease term	7,836	30,768
– At a point in time	1,111	1,831
	8,947	32,599
Other income		
Bank interest income	91	11
Government grants	400	–
Other income	–	104
	491	115

7. SEGMENT INFORMATION

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

8. FINANCE COSTS

Finance costs comprise the following:

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Interest on bank loans	133	371
Interest on amount due to a related party	602	–
Bank charges	28	10
	763	381

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging the following:

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Cost of service provided	8,204	12,380
Depreciation of property, plant and equipment	8,917	10,625
Depreciation of investment property	1,409	151
Staff costs	9,691	14,683

10. INCOME TAX EXPENSE

Hong Kong profits tax is provided at the rate of 16.5% on the estimated assessable profits of all corporations in the Group for the six months ended 30 September 2020 and 2019.

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

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Current tax – Hong Kong profits tax	(3)	341
Deferred taxation	3,339	1,381
	3,336	1,722

11. LOSS PER SHARE

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

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to owners of the Company	(24,038)	(22,254)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	1,966,388	1,966,388

No dilutive loss per share is presented as there was no potential ordinary shares in issue during the six months ended 30 September 2020 and 2019.

12. INTERIM DIVIDEND

The directors do not recommend the payment of dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$17,129,000). During the six months ended 30 September 2020, additions to property, plant and equipment approximately amounted to HK\$400,000 (six months ended 30 September 2019: HK\$598,000).

14. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Trade receivables	6,251	8,057
Less: Provision for impairment loss	(5,955)	(6,700)
	296	1,357
Deposits, prepayments and other receivables	1,327	1,564
	1,623	2,921

The Group allows an average credit period of one week (31 March 2020: 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:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Within 30 days	296	341
31 – 60 days	–	–
61 – 90 days	–	122
Over 90 days	–	894
	296	1,357

15. BANK LOANS

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Secured: –		
Bank instalment loan (Note a)	16,555	21,453
Bank revolving loan (Note b)	30,003	–
	46,558	21,453

- (a) The bank instalment loan is denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 30 September 2020, effective interest rate of the bank instalment loan is 1.41% (31 March 2020: 2.67%) per annum.
- (b) The bank revolving loan is denominated in HK\$, carried at a variable interest rate with reference to IBOR as determined by the bank. At 30 September 2020, effective interest rate of the bank revolving loan is 1.88% per annum.
- (c) The bank loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company, corporate guarantee from a related company controlled by a Director and personal guarantee from a Director.

15. BANK LOANS (Continued)

- (d) Based on the scheduled repayment date set out in the loan agreements, the amounts repayable in respect of the bank loans are as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
On demand or within one year	39,718	9,749
More than one year, but not exceeding two years	6,840	10,009
More than two years, but not exceeding five years	–	1,695
	6,840	11,704
Bank loans	46,588	21,453
Carrying amount of bank loan for repayment after one year which contains a repayment on demand clause (shown under current liabilities)	6,840	11,704

16. SHARE CAPITAL

	30 September 2020 (Unaudited)		31 March 2020 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.02 each	3,000,000,000	60,000	3,000,000,000	60,000
Issued and fully paid:				
Ordinary shares of HK\$0.02 each	1,966,387,866	39,328	1,966,387,866	39,328

17. RELATED PARTY TRANSACTIONS

As at 30 September 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) Amounts due from a related party and amount due to a non-controlling shareholder of a subsidiary are unsecured, interest-free and repayable on demand.
- (b) During the period, the Group entered into the following transactions with the related parties:

Related party relationship	Type of transaction	30 September 2020 HK\$'000	30 September 2019 HK\$'000
Company controlled by the director	Recharge of staff cost	356	–

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group mainly focuses on the operation of Winland 800 Hotel, a 800-room hotel in Tsing Yi, New Territories, Hong Kong. For the six months ended 30 September 2020, revenue generated from the hotel business was approximately HK\$8.9 million (2019: HK\$32.6 million), a decrease of 72.6% against the corresponding period last year.

The loss after income tax for the period was approximately HK\$24.2 million (2019: HK\$22.3 million), which is at similar level to the corresponding period last year.

The loss for six months ended 30 September 2020 was mainly attributable to the significant drop of revenue due to the economy being hard hit by COVID-19 pandemic as cross border travels have almost shut down. According to the statistics published by Hong Kong Tourism Board, the number of visitors dropped by over 99% for each month in the period under review, and likewise the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the six months ended 30 September 2020 was 44% while the corresponding average was 80% for same period last year.

Looking ahead, the operating environment remains challenging. Taking into account the uncertainty in the control of the COVID-19 pandemic and the implementation of the preventive measures against the spread of the epidemic all over the world, such unforeseeable circumstances have adversely affected the global economy and the local economy. It is quite unlikely that overseas/PRC visitors will return to Hong Kong in significant volume in the remaining months of this financial year.

The Group will closely monitor the market situation and the development of the COVID-19 pandemic to apply timely business measures. The Group will also continue to exercise stringent cash management to maintain a solid financial measures.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2020, the Group's total borrowings amounted to approximately HK\$46.6 million (31 March 2020: HK\$30.5 million). As at 30 September 2020, cash and bank balances amounted to approximately HK\$15.4 million (31 March 2020: HK\$7.8 million). The Group's net assets as at 30 September 2020 amounted to HK\$487.1 million (31 March 2020: HK\$511.3 million).

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 9.56% as at 30 September 2020 compared to approximately 5.96% as at 31 March 2020.

Of the Group's total borrowings as at 30 September 2020, approximately HK\$39.7 million would be due for repayment on demand or within one year and approximately HK\$6.8 million would be due for repayment after one year which is subject to repayable on demand clause. The borrowings were denominated in HK\$ and bear variable interest rates.

The above borrowings were secured by the hotel property, corporate guarantee from the Company, corporate guarantee from a related company controlled by a Director and personal guarantee from a Director.

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2020, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 September 2020, the total number of employees of the Group was approximately 108 (31 March 2020: 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 Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

As at 30 September 2020, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(1) LONG POSITIONS IN SHARES OF THE COMPANY

Name of Director	No. of shares of HK\$0.02 each held	Capacity and nature of interest	Approximate shareholding percentage as at 30 September 2020 (%)
Lun Yiu Kay Edwin	1,358,055,354	Interest of controlled corporation	69.06

Note:

These 1,358,055,354 shares are held by Winland Wealth (BVI) Limited. Winland Wealth (BVI) Limited is wholly owned by Winland Stock (BVI) Limited which is in turn wholly owned by Mr. Lun Yiu Kay Edwin.

(2) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATION

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity and nature of interest	Shareholding percentage as at 30 September 2020 (%)
Winland Stock (BVI) Limited	Lun Yiu Kay Edwin	1	Beneficial owner	100
Winland Wealth (BVI) Limited	Lun Yiu Kay Edwin	1	Interest of controlled corporation	100

Save as disclosed above, as at 30 September 2020, none of the Directors of the Company or any of their respective associates had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which are required to be recorded under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the six months ended 30 September 2020 was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 as at 30 September 2020 (%)
Winland Wealth (BVI) Limited (Note i)	Long	1,358,055,354	Beneficial owner	69.06
Winland Stock (BVI) Limited (Note ii)	Long	1,358,055,354	Interest of controlled corporation	69.06

Notes:

- i. Mr. Lun Yiu Kay Edwin was deemed to be interested by virtue of the SFO in the 1,358,055,354 shares of the Company held by Winland Wealth (BVI) Limited which was wholly owned by Winland Stock (BVI) Limited.
- ii. Winland Stock (BVI) Limited has declared an interest in 1,358,055,354 shares by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited.

Save as disclosed above, as at 30 September 2020, none of the substantial shareholder or other persons, other than the Directors or chief executive of the Company, had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

Saved as disclosed below and after the amendments to the bye-laws of the Company on 4 September 2020, in the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules except for the following deviation:

Under the code provision A.2.1 of the CG Code, the role 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.

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ng Hung Sui Kenneth is an independent non-executive director of the Company who was unable to attend the annual general meeting of the Company held on 4 September 2020 as he had other business engagement.

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

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

Mr. Ng Hung Sui Kenneth, an independent non-executive director of the Company, from 12 July 2020, has ceased to be an Independent non-executive director of Samson Paper Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 4 September 2020, the Company amended the existing bye-laws by way of adoption of new bye-laws in substitution for and to the exclusion of the existing bye-laws. The purpose of the adoption of the new bye-laws is to provide flexibility to the conduct of general meetings and to reflect amendments to the Listing Rules and laws of Bermuda and for certain housekeeping amendments. Further details of such amendments are disclosed in the announcement of the Company on 30 July 2020 and the circular of the Company on 31 July 2020.

AUDIT COMMITTEE

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the Unaudited Condensed Interim Financial Statements of the Group for the six months ended 30 September 2020 and discussed with the management the accounting principles and practices and internal control of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 September 2020.

EVENT AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there was no significant event taken place subsequent to 30 September 2020 and up to the date of this 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.

APPRECIATION

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

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

Hong Kong, 25 November 2020