MEXAN LIMITED
茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 March		
			Increase /
	2023	2022	(decrease)
	HK$'000	*HK$'000*	*%*
Revenue	**126,362**	27,515	359%
Gross profit	**44,318**	8,659	412%
Loss before income tax expense	**(33,904)**	(42,421)	–20%
Loss attributable to the owners of the Company for the year	**(23,765)**	(44,406)	–46%
Basic and diluted Earnings per share *(HK cents)*	**(1.21)**	(2.26)	–46%

* *For identification purposes only*

The board (the "Board") of directors (the "Directors") of MEXAN LIMITED (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2023, together with comparative figures for the corresponding year 2022 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	**2023** HK$'000	2022 HK$'000
Revenue	5	**126,362**	27,515
Direct costs		**(82,044)**	(18,856)
Gross profit		**44,318**	8,659
Other income	5	**1,067**	300
Administrative and other operating expenses		**(34,615)**	(24,735)
Selling and distribution expense		**(5,293)**	–
Depreciation and amortisation		**(28,807)**	(21,718)
Impairment loss on investment property	12	**(7,215)**	(4,600)
(Provision for)/reversal of impairment loss on trade receivables	13	**(481)**	1,010
Finance costs	6	**(2,878)**	(1,337)
Loss before income tax	7	**(33,904)**	(42,421)
Income tax credit/(expense)	8	**9,975**	(2,182)
Loss and total comprehensive income for the year		**(23,929)**	(44,603)
Loss and total comprehensive income attributable to:			
Owners of the Company		**(23,765)**	(44,406)
Non-controlling interests		**(164)**	(197)
		(23,929)	(44,603)
Loss per share attributable to owners of the Company			
– basic and diluted *(HK cents)*	10	**(1.21)**	(2.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**388,271**	400,015
Investment property	*12*	**101,666**	112,363
Right of use asset		**5,357**	–
		495,294	512,378
Current assets			
Inventories		**1,373**	122
Trade and other receivables	*13*	**54,817**	2,327
Contract assets		**660**	–
Cash and bank balances		**50,212**	21,382
		107,062	23,831
Current liabilities			
Trade and other payables, deposits received and accrued charges	*14*	**31,634**	8,993
Bank instalment loan	*15*	**–**	1,665
Bank revolving loans	*15*	**–**	80,075
Bank term loans	*15*	**38,406**	–
Contract liabilities		**5,980**	1,044
Lease liabilities		**4,240**	–
Amount due to a director		**30,000**	–
Amount due to a non-controlling shareholder of a subsidiary		**6,414**	6,414
Tax payables		**394**	–
		117,068	98,191
Net current liabilities		**(10,006)**	(74,360)
Total assets less current liabilities		**485,288**	438,018

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Bank term loans	*15*	**75,000**	–
Lease liabilities		**1,496**	–
Contingent consideration payable		**5,072**	–
Deferred tax liabilities		**4,509**	14,878
		86,077	14,878
Net assets		**399,211**	423,140
EQUITY			
Share capital		**39,328**	39,328
Reserves		**362,988**	386,753
Equity attributable to owners of the Company		**402,316**	426,081
Non-controlling interests		**(3,105)**	(2,941)
Total equity		**399,211**	423,140

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 1 November 1991 under the Companies Act 1981 of Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, Church Street, Hamilton HM 11, Bermuda. Its principal place of business in Hong Kong is located at 7th Floor, Winland 800 Hotel, Hotel 2, Rambler Crest, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are engaged in the operation of Winland 800 Hotel, an 800-room hotel in Tsing Yi, New Territories, Hong Kong, as well as in the supply of furniture and building materials and provision of the design and fit-out construction service.

As of 31 March 2023, the Company is approximately 69.06% owned by Winland Wealth (BVI) Limited, which is wholly-owned by Winland Stock (BVI) Limited.

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

(a) Adoption of amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to HKFRS 3: Reference to the Conceptual Framework
- Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41: Annual Improvements to HKFRSs 2018-2020

None of these amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period.

(b) Amended HKFRSs that have been issued but are not yet effective

The following amended 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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[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 2023*

2 *Effective for annual periods beginning on or after 1 January 2024*

3 *The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.*

Amendments to HKAS 1 and HKFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments clarify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. An entity is required to disclose information about these covenants in the notes to the financial statements.

HK Interpretation 5 (2022) was revised as a consequence of the Amendments to HKAS 1 issued in December 2022. The revision to HK Interpretation 5 (2022) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 16: Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in HKFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

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

The amendments address an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The directors of the Company do not anticipate that the application of the above amendments in the future will have a material impact on the Group's consolidated 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").

(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 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 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 that the Group incurred loss for the year ended 31 March 2023 of HK$23,929,000 and had net current liabilities of HK$10,006,000 as at 31 March 2023 given the Covid-19 pandemic still had a direct negative impact to the Group's financial performance as one of the Group's principal activity is hotel operation in Hong Kong for which the major customers are tourists from Mainland China. Even though Hong Kong reopened the border and the travel restrictions imposed by governments and authorities of different jurisdictions were cancelled or lift up and the Group's performance has improved since then, the present economic environment is still weak and the future conditions are still uncertain. In respect of the Group's newly developed business during the year, which is construction service and trading of building materials and furniture, the competition is keen. These conditions may cast significant doubt on the Group's ability to continue as a going concern.

In light of the above conditions, the directors of the Company prepared a cash flow projection of the Group covering a period of 18-month from the end of the reporting period for assessing the appropriateness of the use of the going concern basis for the preparation of these consolidated financial statements. In the opinion of the directors, the Group would have sufficient working capital to finance its operation and to meet its financial obligations as and when they fall due and to continue as a going concern for the purpose of preparing the consolidated financial statements after taking the following into account:

(i) Subsequent to the end of the reporting period, the Group had obtained a new banking facility line of HK$70 million. Together with other unutilized facility, as the date of approval of these consolidated financial statements, the Group had unutilised banking facility of HK$111.5 million. The banking facilities are subject to Loan-to-Value ratio covenant and the directors of the Company made an assessment of the Group's ability for the ongoing compliance of the covenant and considered that it is unlikely that the Group will breach the loan covenants over the forecast period.

(ii) The Group has entered several agency agreements with some travel agents that are expected to raise the occupancy rate of the hotel.

(iii) The Group would keep expanding the newly developed business of the construction service and trading of building materials and furniture in order to expand the Group's source of revenue and cash flow.

The validity of the use of the going concern basis depends on the successful implementation of the above plans and measures. However, there are inherent uncertainties associated with the future outcomes of the plans and measures, including the successful achievement of the targeted occupancy rate and the generation of adequate cash flow from the newly developed business as mentioned in (iii) above. Therefore, there is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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, to reclassify non-current assets to current assets and to reclassify non-current liabilities to current liabilities. The effect of these adjustments has not been 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. SEGMENT REPORTING

(a) Operating segment information

The executive Directors of the Company are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive Directors of the Company that are used to make strategy decision.

During the year ended 31 March 2023, the Group has two reportable segments. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Hotel operation – letting of hotel rooms to non-contracted sales agents and walk-in customers, food and beverage income, miscellaneous sales, and laundry services income net of discounts

- Trading of building materials and fit-out construction operation – supply of furniture and building materials and provision of the design and fit-out construction service

The segment revenue and results for the years ended 31 March 2023 and 2022:

	Hotel operation		Trading of building materials and fit-out construction operation		Total	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External revenue	**44,702**	27,515	**81,660**	–	**126,362**	27,515
Segment Profit/(loss) before tax	**(17,545)**	(29,173)	**2,794**	–	**(14,751)**	(29,173)
Interest revenue	**35**	–	**1**	–	**36**	–
Interest expense	**(2,071)**	(932)	**(116)**	–	**(2,187)**	(932)
Depreciation of plant and equipment	**(19,420)**	(18,096)	**(1,828)**	–	**(21,248)**	(18,096)
Depreciation of right-of-use assets	**–**	–	**(4,077)**	–	**(4,077)**	–
(Provision for)/reversal of impairment loss on accounts receivables	**10**	1,010	**(491)**	–	**(481)**	1,010
Income tax credit/(expense)	**10,504**	(2,039)	**(388)**	–	**10,116**	(2,039)
Reportable segment assets	**430,565**	412,295	**65,940**	–	**496,505**	412,295
Reportable segment liabilities	**(127,402)**	(100,600)	**(56,943)**	–	**(184,345)**	(100,600)
Additions to non-current assets	**4,280**	8,973	**14,821**	–	**19,101**	8,973

Reconciliation of reportable segment profit or loss, assets and liabilities are as follows:

	2023	2022
	HK'000	*HK'000*
Loss of reportable segments before tax	**(14,751)**	(29,173)
Impairment loss on investment property	**(7,215)**	(4,600)
Depreciation on investment properties	**(3,482)**	(3,622)
Other administrative expense	**(8,473)**	(5,026)
Other income	**17**	–
Loss before tax	**(33,904)**	(42,421)

	2023	2022
	HK'000	*HK'000*
Reportable segment assets	**496,505**	412,295
Unallocated corporate asset		
– Investment properties	**101,666**	112,363
– Other receivables	**222**	1,184
– Certain cash and cash equivalents	**3,963**	10,367
Consolidated total assets	**602,356**	536,209

	2023	2022
	HK'000	*HK'000*
Reportable segment liabilities	**(184,345)**	(100,600)
Unallocated corporate liabilities		
– Amount due to a non-controlling shareholder	**(6,414)**	(6,414)
– Accounts payable and accruals	**(11,578)**	(5,382)
– Deferred tax liabilities	**(808)**	(673)
Consolidated total liabilities	**(203,145)**	(113,069)

(b) Geographical segment information

The following table provides an analysis of the Group's revenue from external customers and non-current assets excluding financial instruments and deferred tax assets.

	External revenue by location of customers		Non-current assets by location of assets	
	2023	2022	**2023**	2022
	HK'000	*HK'000*	***HK'000***	*HK'000*
Hong Kong	**125,501**	27,515	**495,294**	512,378
Macau	**861**	–	**–**	–
	126,362	27,515	**495,294**	512,378

(c) Information about major customers

Revenues from each of the major customers accounted for 10% or more of the Group's total revenue are set out below:

	2023	2022
	HK'000	*HK'000*
Customer A	**28,625**	–
Customer B	**15,129**	–
	43,754	–

5. REVENUE AND OTHER INCOME

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

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

	2023	2022
	HK$'000	*HK$'000*
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales to non-contracted sales agents and walk-in customers	**39,607**	22,911
– Food and beverage income	**4,642**	4,279
– Miscellaneous sales	**79**	22
– Laundry service income	**374**	303
	44,702	27,515
Trading of building materials and fit-out construction operation		
– Trading of building materials and furniture	**65,977**	–
– Fit-out construction service	**15,683**	–
	81,660	–
Total revenue	**126,362**	27,515
Primary geographical market		
– Hong Kong	**125,501**	27,515
– Macau	**861**	–
Total revenue	**126,362**	27,515
Time of revenue recognition		
– Over time	**55,664**	23,214
– At a point in time	**70,698**	4,301
Total revenue	**126,362**	27,515

	2023	2022
	HK$'000	*HK$'000*
Other income		
Bank interest income	**38**	–
Gain on disposal of property, plant and equipment	**519**	–
Government grants *(Note)*	**404**	300
Sundry income	**106**	–
	1,067	300
	127,429	27,815

Note: The Group obtained government grants of HK$404,000 for the year ended 31 March 2023 (2022: HK$300,000) from the Government of Hong Kong Special Administrative Region and recognised directly under other income as subsidies for operation of hotel business.

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

	2023	2022
	HK$'000	*HK$'000*
Contract assets	**660**	–
Contract liabilities	**(5,980)**	(1,044)
	(5,320)	(1,044)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of fit-out work. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

Contract liabilities mainly relate to the advance consideration received from walk-in customers for the hotel room sales and fitting-out works from construction services. During the year ended 31 March 2023, HK$28,943,000 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.

Unsatisfied performance obligations

As at 31 March 2023, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$92 million (2022: nil). This amount represents revenue expected to recognise in the future from construction contracts and sales and purchase agreements from sales of building materials and furniture entered into with customers. The Group will recognise the expected revenue in the future when or as the work is completed, or control over the ownership of building materials and furniture has been passed to customers. These are expected to occur over the next 12 months.

6. FINANCE COSTS

Finance costs comprise the following:

	2023	2022
	HK$'000	*HK$'000*
Interest on bank loans *(Note 15)*	**1,836**	932
Interest on amount due to a related party	**235**	–
Interest on lease liabilities	**116**	–
Bank charges	**691**	405
	2,878	1,337

7. LOSS BEFORE INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/(crediting) the following:		
Cost of services provided	**82,044**	18,856
Auditor's remuneration	**1,346**	750
Depreciation of property, plant and equipment	**21,248**	18,096
Depreciation of investment property	**3,482**	3,622
Depreciation of right of use asset	**4,077**	–
(Gain)/loss on disposal of property, plant and equipment	**(519)**	1
Change in fair value of contingent consideration	**2,076**	–
Staff costs		
– Salaries and allowances *(Note)*	**33,725**	23,822
– Retirement benefit cost	**1,258**	957

Note: Included in salaries and allowances was a one-off subsidy of HK$2,233,000 for the year ended 31 March 2023 (2022: nil) granted from Employment Support Scheme under Anti-epidemic Fund of the Hong Kong SAR Government due to the COVID-19 pandemic. The Group is required to spend the subsidy on paying wages to employees and not to implement redundancies during the subsidy period. There were no unfulfilled conditions or obligation relating to this government subsidy.

8. INCOME TAX (CREDIT)/EXPENSE

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

	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year		
– At 16.5%	**394**	8
Deferred taxation	**(10,369)**	2,174
Income tax (credit)/expense	**(9,975)**	2,182

9. DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2023 (2022: Nil).

10. LOSS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(23,765)**	(44,406)
Number of shares		
Weighted average number of ordinary shares *('000)* for the purpose of basic loss per share	**1,966,387**	1,966,387

No dilutive loss per share is presented as there was no potential ordinary shares in issue during the years ended 31 March 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both years. During the year ended 31 March 2023, additions to property, plant and equipment approximately amounted to HK$9,666,000 (2022: HK$8,973,000).

12. INVESTMENT PROPERTIES

Investment properties include leasehold land and an office unit in Hong Kong. At the end of reporting period, an impairment loss of HK$7,215,000 (2022: HK$4,600,000) was recognised for investment properties as the commercial properties market in Hong Kong was deteriorated due to the negative impact from the Covid-19 pandemic during the year ended 31 March 2023.

The fair value of the leasehold land as at 31 March 2023 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$67 to HK$307 per sq. feet, and adjusted taking into account factors mainly including 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 fair value of the commercial property as at 31 March 2023 was approximately HK$95,500,000. 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$7,215,000 was recognised as the commercial properties market in Hong Kong was deteriorated due to the negative impact from the Covid-19 pandemic during the year ended 31 March 2023.

The fair value of commercial property is determined based on the market observable comparable prices of similar properties ranging from HK$48,011 to HK$53,476 per sq. feet, and adjusted taking into account factors mainly including location, size, floor, view, building condition, layout 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.

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**41,789**	4,712
Less: Provision for impairment loss	**(5,031)**	(4,550)
	36,758	162
Retention receivables	**2,082**	–
Deposits, prepayments and other receivables	**15,977**	2,165
	54,817	2,327

For hotel operation, the Group allows an average credit period of one week (2022: one week) to its trade customers. All trade receivables are expected to be recovered within one year. For construction business, the Group allows maximum credit period of 2 months to its trade customers. The following is an aging analysis of trade receivables, based on invoice date and net of allowance, at the end of the reporting period:

	2023	2022
	HK$'000	*HK$'000*
Current	**24,179**	–
Within 30 days	**6,916**	162
Over 30 days but less than 60 days	**2,153**	–
Over 60 days but less than 90 days	**3,915**	–
Over 90 days	**4,626**	4,550
	41,789	4,712
Less: Allowance for impairment losses	**(5,031)**	(4,550)
	36,758	162

Under the segment of hotel operation, as at 31 March 2023, included in the allowance for doubtful debts of HK$4,540,000 (2022: HK$4,550,000) 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:

	2023	2022
	HK$'000	*HK$'000*
At 1 April	**4,550**	5,560
Reversal of impairment loss for the year	**(10)**	(1,010)
At 31 March	**4,540**	4,550

Under the segment of trading of building materials and fit-out construction, trade receivables have been grouped based on shared credit risk characteristics. 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:

	2023	2022
	HK$'000	*HK$'000*
At 1 April	**–**	–
Impairment loss recognised for the year	**491**	–
At 31 March	**491**	–

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 due date and grading respectively:

As at 31 March 2023	**Current**	**Within 30 days**	**Over 30 days but less than 60 days**	**Over 60 days but less than 90 days**	**Over 90 days**	**Total**
Hotel operation						
Expected loss rate *(%)*	**0.00%**	**–**	**–**	**–**	**100.00%**	
Gross carrying amount *(HK$'000)*	**480**	**–**	**–**	**–**	**4,540**	**5,020**
Expected credit losses *(HK$'000)*	**–**	**–**	**–**	**–**	**4,540**	**4,540**

Trading of building materials and fit-out construction service

Credit rating	**Group A**	**Group B**	**Total**
Expected loss rate *(%)*	**0.00%**	**1.81%**	
Gross carrying amount *(HK$'000)*	**9,605**	**27,163**	**36,768**
Expected credit losses *(HK$'000)*	**–**	**491**	**491**

As at 31 March 2022	Current	Within 30 days	Over 30 days but less than 60 days	Over 60 days but less than 90 days	Over 90 days	Total
Hotel operation						
Expected loss rate *(%)*	0.00%	–	–	–	100.00%	
Gross carrying amount *(HK$'000)*	162	–	–	–	4,550	4,712
Expected credit losses *(HK$'000)*	–	–	–	–	4,550	4,550

Under the segment of hotel operation, an impairment analysis was performed at 31 March 2023 and 2022 using a provision matrix to measure expected credit losses. The provision rates are based on due 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.

Under the segments of trading of building materials and fit-out construction, an impairment analysis was performed at 31 March 2023 using the probability of default method to measure expected credit losses. The provision rates are based on credit ratings 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.

14. TRADE AND OTHER PAYABLES, DEPOSIT RECEIVED AND ACCRUED CHARGES

	2023	2022
	HK$'000	*HK$'000*
Trade payables *(Note a)*	**12,944**	–
Accrued charges	**9,614**	6,794
Deposit received *(Note b)*	**6,110**	1,724
Other payables *(Note c)*	**2,966**	475
	31,634	8,993

(a) The ageing analysis of trade payables of the Group, based on invoice dates, as at the end of the year is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**12,900**	–
Over 1 month but within 2 months	**44**	–
	12,944	–

(b) The balance represents the deposit received from contract agents in accordance with the annual room sales contract where the agents are required to prepay one month room charge as deposit.

(c) Other payables mainly represent the payable regarding leasehold improvement for hotel daily operations HK$698,000 and sales commission payable of construction services of HK$647,000.

The directors of the Company considered the carrying amounts of other payables and accruals approximate to their fair values.

15. BANK LOANS

	2023	2022
	HK$'000	*HK$'000*
Secured and guaranteed:		
Bank instalment loan *(Note a and d)*	**–**	1,665
Bank revolving loan *(Note b and d)*	**–**	80,075
Bank term loans *(Note c and d)*	**113,406**	–
	113,406	81,740
Non-current portion *(Note e and f)*	**38,406**	–
Current portion *(Note e and f)*	**75,000**	81,740
	113,406	81,740

(a) The bank instalment loan is denominated in HK$, carried at a variable interest rate with reference to HIBOR. During the year ended 31 March 2023, the bank installment loan had been fully repaid, which effective interest rate was 0.88% per annum (2022: 0.76% per annum). The loan is secured by the first legal change of the hotel property of the Group.

(b) On 23 September 2020, the Group was granted a revolving loan banking facility of HK$100 million by a banking institution in Hong Kong. The bank revolving loan represents the portion of banking facility utilised and is denominated in HK$, carried at a variable interest rate with reference to Interbank Offered Rate ("IBOR") as determined by the bank. During the year ended 31 March 2023, the bank revolving loan was fully repaid, which effective interest rate was 3.48% per annum (2022: 1.54% per annum). The loan is secured by the first legal change of the hotel property of the Group.

(c) As at 31 March 2023, the bank term loans of HK$38 million and HK$75 million are secured by the first legal charge of the commercial property and hotel property of the Group respectively, carried at a variable interest rate with reference to HIBOR. The effective interest rate of the bank term loans are 4.96% per annum and 4.55% per annum respectively.

(d) All the bank loans are also secured by the corporate guarantee from the Company, the corporate guarantee from a related company controlled by a Director of the Company and personal guarantee from a Director of the Company.

(e) Bank term loan of carrying amount of HK$38 million as at 31 March 2023 are 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 2023 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.

(f) Based on the scheduled repayment dates set out in the loan agreements, the amounts repayable in respect of the loans are as follows:

	2023	2022
	HK$'000	*HK$'000*
On demand or within one year	**406**	81,740
More than one year, but not exceeding two years	**2,000**	–
More than two year, but not exceeding five years	**111,000**	–
	113,406	81,740
Carrying amount of bank loans for repayments after one year which contain a repayment on demand clause (shown under current liabilities) *(Note e)*	**38,000**	–

16. 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 leasing back of the Security Property to a related company of the Borrower. 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 the redemption money. The sale and purchase of the Security Property was completed on 17 December 2009 without lease back but the Purchaser refused to return the Sum.

In July 2015, Winland Mortgage commenced in Hong Kong High Court (the "High Court") a legal action (HCA no. 1509 of 2015) against the Purchaser for recovery of the Sum. The full trial since 14 October 2020 took place and on 30 December 2020, the High Court delivered a judgement against Winland Mortgage (the "Judgment") and ordered it to pay 85% of the legal cost incurred by the Purchaser (the "Cost Order") in the action. Provision for its own legal costs is made and included as administrative and other operating expenses and the Group has made assessment on the amount payable under the Cost Order after consultation with the Group legal advisors to reflect its obligations under the Cost Order.

On 26 January 2021, Winland Mortgage issued a Notice of Appeal to the Court of Appeal (CACV no. 26 of 2021) against the Judgement (the "Appeal"). Legal costs was accrued as administrative and other operating expenses to reflect counsel and solicitors' fees incurred in relation to the Cost Order under the Judgment for the years ended 31 March 2022 and 2023.

As at 31 March 2023, after further considering the merits and risks involved with the Appeal and litigation in general, the Group considers that it is in the interests of the Group not to proceed with the Appeal and a global settlement has been proposed to the Purchaser to discontinue the Appeal and to satisfy the Cost Order. The settlement proposal was agreed between the parties and approved by the court. Under the settlement proposal, beside payment of legal costs to the Purchaser pursuant to the Cost Order (which provisions has already been made in the previous financial year) and limited legal costs involved before discontinuation of the Appeal, no further provision is required to be made by the Group under the agreed settlement proposal.

17. ACQUISITION OF A SUBSIDIARY

On 9 March 2022, the Group signed an agreement with an independent third party for acquisition of Winland Firmstone Limited ("Winland Firmstone"), which is principally engaged in supply of furniture and building material and provision of the design and fit-out construction service in Hong Kong, to be completed in two tranches. Tranche 1 was, completed on 8 April 2022, related to the Group's acquisition of 51% of the issued share capital of Winland Firmstone, settled by payment of approximately HK$3,595,000 as consideration in cash. Tranche 2 will be completed on 31 March 2025 with contingent consideration of approximately HK$2,996,000. In addition, the consideration includes the assignment of shareholder's loan payable by Winland Firmstone to the Group.

Pursuant to the sale and purchase agreement, the consideration price for Tranche 2 is set at a multiple of profits which profit forecast is used to measure the value of the contingent consideration and will be settled by cash.

In addition, out of the aforementioned contingent consideration, according to HKFRS, a contingent payment arrangement in which the payments are automatically forfeited if employment terminates is remuneration for post-combination services. Since the agreement specifically sets out that if selling shareholder ceases or terminates his employment relationship with the Group before 31 March 2025, the consideration price is based on the net asset value of the Winland Firmstone. As such, remuneration for post-combination services of HK$5,072,000 will not be included as the contingent consideration for the acquisition. For the period from 8 April 2022 to 31 March 2023, remuneration for the post-combination service amounting to approximately HK$1,691,000 was charged under administrative and other operating expenses in the consolidated statement of comprehensive income.

The directors consider this acquisition is an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at its respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

The fair values of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	HK'000
Non-current assets	
Property, plant and equipment	5,209
Right-of-assets	9,434
Current assets	
Deposit	1,678
Cash and cash equivalents	101
Current liabilities	
Accrued charges	(102)
Amounts due to shareholders	(7,060)
Lease liabilities	(9,729)
	(469)

	HK'000
Fair value of consideration	
Cash consideration	3,595
Contingent consideration *(Note)*	2,996
Shareholder loan receivable from the Group by Winland Firmstone	(7,060)
	(469)
Cash consideration	3,595
Less: consideration prepaid in prior year	(1,000)
cash and cash equivalents acquired	(101)
Net cash outflow on acquisition	2,494

There is no deferred tax impact resulted.

Note: As at 31 March 2023, the fair value of contingent consideration payable was reassessed as approximately HK$5,072,000 and change in fair value of approximately HK$2,076,000 was charged to "administrative and other operating expenses" in the consolidated statement of comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The Group business mainly comprises of the operation of a 800-room hotel in Tsing Yi, New Territories, Hong Kong and the trading of building materials and operating fit-out construction projects.

In relation to hotel industry, our performance in this sector is very much depended on the incoming of travelers, as our focus will switch back to demands from incoming visitors in place of local long staying guests in light of the end of the Covid-19 pandemic. In 2022, the number of visitors dropped by 26% year on year to 5.7 million and the occupancy rate of hotels dropped by 11.8% year on year to 38.3%. Many hotels have to compensate such decrease by offering attractive "staycation" package to local population, just to keep the hotels in operation and the staff having adequate works to do.

The International Air Transport Association (the "IATA") in Geneva announced that total traffic in 2022 (measured in revenue passenger kilometers or RPKs) rose 64.4% compared to 2021. Globally, full year 2022 traffic was at 68.5% of pre-pandemic (2019) levels. International traffic in 2022 climbed 152.7% versus 2021 and reached 62.2% of 2019 levels. Domestic traffic for 2022 rose 10.9% compared to the prior year. 2022 domestic traffic was at 79.6% of the full year 2019 level.

The Director General of IATA said the industry left 2022 in far stronger shape than it entered, as most governments lifted Covid-19 travel restrictions during the year and people took advantage of the restoration of their freedom to travel. This momentum is expected to continue in the new year, despite some governments' over-reactions to China's re-opening.

Having said that, the recovery of incoming travelers to Hong Kong seems to lag slightly behind the international pace. According to the news of South China Morning Post in 2 June 2023; 10 million visitors came to Hong Kong in first 5 months of 2023 and the executor director of the Tourism Board said the increase in visitors was led by mainland Chinese and Southeast Asian tourists, with their numbers returning to more than 60 per cent of pre-pandemic levels.

Turning to the construction industry which foster our business for trading of building materials and fit out construction projects; the property market in Hong Kong continues to roll out new residential units to meet inelastic local demands.

The Secretary for Development, Mr Michael Wong announced in February 2022 that the 2022-23 Land Sale Programme comprises 13 residential sites capable of providing about 8,250 flats. Apart from the 13 sites for sale, railway property development projects by MTR Corporation Limited (the "MTRCL") and projects of the Urban Renewal Authority (the "URA") will also contribute to private housing land supply in 2022-23. Taking into consideration the forecasted land supply from Government land sale, projects of the MTRCL and the URA, as well as private development/redevelopment projects, the total potential private housing land supply in 2022-23 is estimated to have a capacity to produce about 17,940 flats.

The completion of new flats will inevitably contribute to robust demands for provisions of building materials and fitting out construction works.

On the flip side, the industry is facing strong competition which diminish the profit margin of projects, and the demand for luxurious building materials have generally declined due to lackluster economic growth.

BUSINESS REVIEW

Until the 8th April 2022 when the Group expanded its business venture into trading of building materials and related fit out construction operation, business of the Group mainly focuses on the operation of Winland 800 Hotel, a 800-room hotel in Tsing Yi, New Territories, Hong Kong ("the Hotel").

1. Hotel Operation

Revenue generated from the Hotel business was approximately HK$44.7 million for the year under review, and the average hotel occupancy rate was approximately 65.8% for the year.

Because of the Covid-19 pandemic, the Group has shifted the customer's basis from overseas and PRC visitors to domestic long-staying guests with unbeatable price which successfully staved off the Group from the worst economic impact brought by the disaster.

The Group also took advantage of the business doldrums to rehaul and refurbish the hotel by replacement of all its air conditioners and the works were completed in July 2022.

2. Trading of building materials and operating fit-out construction operation

In April 2022, the Group acquired majority equity interests in Winland Firmstone, a newly set up company which operated in the trading of building materials and fit-out construction projects.

The core business of Winland Firmstone includes but not limited to supply of imported European high-end kitchen cabinet, furniture and decorative lighting, supply of a wide range of building materials including ceramic tiles, mosaics, carpet and fabrics etc; supply of high quality natural stones and provision of design and construction service for fit-out projects.

Some major customers of Winland Firmstone include leading property developers in Hong Kong.

The acquisition of Winland Firmstone has significantly improved the revenue of the Group but the contribution to its profits remained to be materialised.

PROSPECTS

It is common ground amongst business world that the world in 2023 is facing interlocking challenges: the Russo-Ukraine conflict; rising food and fuel prices, the fight against inflation and more importantly, the uncertain post-pandemic economic recovery speed from mainland China.

In May 2023, World Health Organization declared that Covid-19 would not be regarded as a global health emergency despite that it remains a global health threat. As the Covid-19 pandemic is universally regarded as desisted in 2023, it is expected that tourist industry will revive and the occupancy of the hotel will pick up progressively.

We are hoping that with the pandemic approaching its epilogue and the lift of border closures and travel restrictions; travelers and tourists will be coming to Hong Kong quickly bringing with them the spirit of “retaliatory consumption”.

Despite such optimism, the travel industry seems incapable to return to the pre Covid-19 level at the moment and the Group will continue to implement strict cost controls and prudent business development plans to cope with economic hard time.

The Group has always been active in seeking for potential investment opportunities which will enable the Group to expand its business portfolio and diversify its revenue sources to enhance return to the Shareholders and we hope that the acquisition of the major interests in Winland Firmstone will have a major contribution towards this goal.

Our directors are optimistic about the long-term prospect of the trade in building materials, and the design and fit-out construction service industry in Hong Kong and hope that the acquisition will take the business of the Group to a new level.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 March 2023 amounted to approximately HK$126.4 million (2022: HK$27.5 million), representing a significant increase of 359% as compared to same period last year. Since the Group has two reportable segments, the segment revenue generated from the hotel operation was approximately HK$44.7 million (2022: HK$27.5 million), representing an increase of 62.5% as compared with same period last year due to the improved room rate and occupancy. As for the new reportable segment, trading of building materials and fit-out construction operation, the segment revenue for the period from 8 April 2022 (date of completion of acquisition of 51% shareholding) to 31 March 2023 was approximately HK$81.7 million (2022: Nil).

Gross profit and gross profit margin

Gross profit of the Group for the year ended 31 March 2023 amounted to approximately HK$44.3 million (2022: HK$8.7 million), comprised of gross profit from hotel operation of approximately HK$24.3 million (2022: HK$8.7 million) and gross profit from trading of building materials and fit-out construction projects of approximately HK$20.0 million (2022: Nil).

Gross profit margin of the Group for the year ended 31 March 2023 was 35.1% (2022: 31.5%). Gross profit margin for the hotel operation for current year was 54.4% (2022: 31.5%) and gross profit margin for the trading of building materials and fit-out construction operation for current year was 24.5% (2022: N/A).

Administrative and other operating expenses

The administrative and other operating expenses of the Group for the year ended 31 March 2023 were approximately HK$34.6 million (2022: HK$24.7 million), comprised of expenses for the hotel operation of approximately HK$20.3 million (2022: HK$21.0 million), the expenses for the trading of building materials and fit-out construction operation of approximately HK$6.9 million (2022: Nil) and other expenses of approximately HK$7.4 million (2022: HK$3.7 million).

Selling and distribution expenses

The selling and distribution expenses of the Group for the year ended 31 March 2023 were approximately HK$5.3 million (2022: Nil), the whole amount were incurred for the trading of building materials and fit-out construction operation.

Loss for the year

The loss after income tax of the Group for the year was approximately HK$23.9 million (2022: HK$44.6 million). The loss was decreased by 46% which was mainly attributed from the increase of gross profit of the Group.

Liquidity, Financial Resources and Capital Structure

During the year under review, cash flow of the Group was mainly generated from the hotel operations and bank borrowings. As at 31 March 2023, the Group's total borrowings, including the bank loan and amount due to a director amounted to approximately HK$143.4 million compared with approximately HK$81.7 million as at 31 March 2022. The increase of the Group's total borrowings was mainly used for business operations.

As at 31 March 2023, cash and bank balances amounted to approximately HK$50.2 million compared with cash and bank balances of approximately HK$21.4 million last year. The Group's net assets as at 31 March 2023 amounted to approximately HK$399.2 million, which decreased from approximately HK$423.1 million as at 31 March 2022, mainly due to depreciation and impairment loss on investment property and increase in bank borrowings recorded for the year.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 35.9% as at 31 March 2023 compared with approximately 19.3% as at 31 March 2022. 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 23.3% compared with approximately 14.3% last year.

Of the Group's bank loan as at 31 March 2023, approximately HK$38.4 million would be due within one year or on demand and approximately HK$75.0 million would be due for repayment after one year. The above bank loans were denominated in HK$ and bear a variable interest rate and secured by the hotel property and commercial property, a joint and several corporate guarantee provided from the Company and a related company controlled by a director of the Company, and a personal guarantee provided by a director of the Company.

Total equity of the Group as at 31 March 2023 was approximately HK$399.2 million while there was approximately HK$423.1 million as at 31 March 2022. Total equity attributable to owners of the Company as at 31 March 2023 was approximately HK$402.3 million while there was approximately HK$426.1 million as at 31 March 2022. The decrease in equity was mainly due to the loss recorded for the year.

Treasury Policies

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

Material Acquisitions and Disposals

On 9 March 2022, Winland Building Materials Limited, a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Result Best Limited in relation to the acquisition of the Sale Share of Winland Firmstone (representing the entire issued share capital of Winland Firmstone) and the Sale Loan of Winland Firmstone (representing all sums and liabilities owing to Result Best Limited) (the Sale Share and Sale loan are collectively referred as "Subject Acquisition") in two tranches. The Tranche 1 is to acquire 51% of the Subject Acquisition, and the Tranche 2 is to acquire the remaining 49%. The total consideration of 2 tranches would not exceed HK$33.4 million. Details of the acquisition were disclosed on the announcement of the Company on 9 March 2022. Subsequently, the Tranche 1 completion took place on 8 April 2022 in accordance with the Sale and Purchase Agreement. Details of the completion were disclosed in the announcement of the Company on 8 April 2022.

In accordance with Hong Kong Financial Reporting Standard 10 Consolidated Financial statements, the acquisition of 51% in the Tranche 1 and 49% in the Tranche 2 were accounted for as one transaction in which 100% of Winland Firmstone was acquired on 8 April 2022.

Significant Investments Held

The Group did not have any significant investments held as at 31 March 2023.

Employee Information and Emolument Policy

As at 31 March 2023, the total number of employees of the Group was 134 (2022: 105). 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.

Pledge of assets

As at 31 March 2023, the fixed assets with net book value of approximately HK$467.5 million were pledged for bank borrowings in the amount of approximately HK$113 million.

Contingent Liabilities

At the date of approval of these consolidated financial statements, the Company provided a financial guarantee to a bank for the banking facilities of an aggregate amount of approximately HK$224,500,000 (2022: HK$101,665,000) granted to its subsidiaries. The amount utilized by the subsidiaries amount to approximately HK$113,406,000 (2022: HK$81,740,000) as at 31 March 2023. 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 2023 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.

Capital Commitments

As at 31 March 2023, the Group had no commitment (2022: HK$3,040,000) which has been contracted but not yet been provided for acquisition of property, plant and equipment.

Foreign currency exposure

As the Group operates the two segment businesses in Hong Kong, all of the revenue were settled in Hong Kong dollar. The Group pays some suppliers for trading of building materials and fit-out construction business in USD and Euro. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties.

As at 31 March 2023, all of the bank borrowings of the Group were made in HK dollars and cash and bank balances were in HK dollars also. As at the date of this announcement, the Group did not implement any foreign currencies and interest rates hedging policies. The Group will closely monitor the change in foreign exchange rates to manage currency risks and evaluate necessary actions as required.

Future Plans for Material Investments or Capital Assets

As at the date of this announcement, the Group did not have any plans for material investments or capital assets.

CONNECTED TRANSACTION

During the year, the Board has approved the following connected transactions at subsidiary level.

(1) 31 October 2022 announcement: the Company announced that on 31 October 2022, Winland Firmstone entered into the a subcontracting agreement with Firmstone Mobili Limited (“Mobili”), pursuant to which Mobili agreed to engage Winland Firmstone, and Winland Firmstone agreed to be the subcontractor of Mobili to provide the design, supply and installation of kitchen cabinets in a residential property development projects situated in Southern District, of Hong Kong, for the consideration of approximately HK$18 million (“Subcontracting Agreement A”).

Mr. Woo Chun Yu Adolf ("Mr. Woo") is a director of and indirectly owns 49% shareholding in Winland Firmstone. He also indirectly owns the entire issued share capital of Mobili. As such, Mobili was an associate of Mr. Woo for the purpose of the Listing Rules and was hence a connected person of the Company at subsidiary level. Accordingly, the entering into of the Subcontracting Agreement A and the transactions contemplated thereunder constituted a connected transaction at subsidiary level of the Company.

(2) On 2 September 2022, Company has announced that on 22 August 2022 and 2 September 2022, Winland Firmstone entered into the subcontracting agreements with Mobili, pursuant to which Mobili agreed to engage Winland Firmstone, and Winland Firmstone agreed to be the subcontractor of Mobili to provide the design, supply and installation of kitchen cabinets in residential property development projects respectively situated in Eastern Kowloon and New Territories of Hong Kong, for an aggregate consideration of approximately HK$6.6 million ("Subcontracting Agreement B and C").

Mr. Woo is a director of and indirectly owns 49% shareholding in Winland Firmstone. He also indirectly owns the entire issued share capital of Mobili. As such, Mobili was an associate of Mr. Woo for the purpose of the Listing Rules and was hence a connected person of the Company at subsidiary level. Accordingly, the entering into of the Subcontracting Agreement B and C and the transactions contemplated thereunder constituted a connected transaction at subsidiary level of the Company under the Listing Rules. Since the transactions contemplated under the Subcontracting Agreement B and C were entered into with the same party within a 12-month period, the transactions contemplated thereunder are required to be aggregated pursuant to the Listing Rules.

EVENT AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other important events affecting the Group that have occurred since 31 March 2023 and up to the date of this announcement.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set in Appendix 14 of the Listing Rules for the year under review, except for the deviation from the CG Code as follows:

Under code provision C.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 C.2.1 of the 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.

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.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, namely Dr. Tse Kwing Chuen, Mr. Lau Shu Kan and Mr. Chao Howard, all of them are Independent Non-Executive Directors. 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.

The Audit Committee has reviewed with the management and our Group's external auditor the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2023.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 March 2023. The report includes an emphasis of matter, without qualification.

Opinion

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 2023, 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.

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 2023 of HK$23,929,000 and had net current liabilities of HK$10,006,000 as at 31 March 2023. These conditions, along with other matters as set forth in Note 3(b), 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 this matter.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.mexanhk.com under "Announcement". The annual report for the year ended 31 March 2023 will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 28 June 2023

As at the date of this announcement, the Executive Directors are Mr. Lun Yiu Kay Edwin (Chairman) and Mr. Ng Ka Kit and the Independent Non-Executive Directors are Dr. Tse Kwing Chuen, Mr. Lau Shu Kan and Mr. Chao Howard.