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MEXAN LIMITED
茂盛控股有限公司*

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

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2013

RESULTS

The board of directors (the "Board") of MEXAN LIMITED (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013, together with comparative figures for the corresponding year 2012 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	4	**149,434**	96,964
Direct costs		**(25,725)**	(26,667)
Gross profit		**123,709**	70,297
Other revenue	4	**6**	413
Administrative and other operating expenses		**(45,487)**	(26,915)
Depreciation and amortisation		**(18,772)**	(18,722)
Finance costs	5	**(3,639)**	(3,990)
Profit before income tax	6	**55,817**	21,083
Income tax expense	7	**(12,493)**	(4,366)
Profit and total comprehensive income for the year		**43,324**	16,717
Profit and total comprehensive income attributable to:			
Owners of the Company		**43,478**	16,873
Non-controlling interests		**(154)**	(156)
		43,324	16,717
Earnings per share – basic and diluted (HK cents)	8	**3.32**	1.29

* *For identification purpose only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**545,327**	562,107
Intangible assets		**4,180**	5,347
Investment property		**10,339**	10,641
Club debentures		**1,350**	1,350
		561,196	579,445
Current assets			
Inventories		**198**	276
Trade and other receivables, deposits and prepayments	9	**11,072**	4,906
Amount due from a related party		**48**	-
Tax recoverable		**37**	-
Cash and bank balances		**22,895**	32,616
		34,250	37,798
Current liabilities			
Other payables, deposits received and accrued charges		**45,847**	24,023
Amounts due to directors		**15**	87
Amount due to a non-controlling shareholder of a subsidiary		**6,414**	6,414
Amount due to a related party		**2**	-
Dividend payable		**422**	422
Bank loans		**233,293**	323,273
Tax payable		**6,885**	5,670
		292,878	359,889
Net current liabilities		**(258,628)**	(322,091)
Total assets less current liabilities		**302,568**	257,354
Non-current liabilities			
Deferred tax liabilities		**7,901**	6,011
Net assets		**294,667**	251,343
EQUITY			
Share capital		**26,218**	26,218
Reserves		**269,840**	226,362
Equity attributable to owners of the Company		**296,058**	252,580
Non-controlling interests		**(1,391)**	(1,237)
TOTAL EQUITY		**294,667**	251,343

Notes:

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of the new/revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosure set out in these consolidated financial statements.

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

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities [2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKAS 1 (revised)	Presentation of Items of Other Comprehensive Income[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
Amendments to HKFRS 10, HKFRS12 and HKAS 27 (2011)	Investment entities[3]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantity the effects on the Group's consolidated financial statements.

2. 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.

(b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention.

The consolidated financial statements have been prepared on a going concern basis, notwithstanding the fact that the Group and the Company suffered from net current liabilities of HK$258,628,000 and HK$2,084,000 respectively as at 31 March 2013.

In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that:

(i) Included in the Group's borrowings classified as current liabilities as at the end of reporting period were revolving loans of HK$70,000,000 for which the Group is able to continue using under the banking facilities granted by the bank. Moreover as at 31 March 2013, the Group has total banking facilities of HK$515,293,000 of which about HK$282,000,000 still remain unused. These facilities will be drawn under the Group's requisition though the bank's normal procedures; and

(ii) The bank loans with the aggregate carrying amount of approximately HK$146,255,000 that are repayable more than one year after the end of the reporting period per loan agreement, with repayment on demand clause, have been classified as current liabilities as at 31 March 2013 in order to comply with the requirements set out in 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, the directors believe that the bank will not exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Based on the above, the directors are satisfied that the Group and the Company will have sufficient cash resources to satisfy their future working capital and other financing requirements and it is appropriate to prepare these consolidated financial statements on a going concern basis. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

(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.

3. SEGMENT REPORTING

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.

(a) Geographical information

During 2013 and 2012, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

(b) Information about a major customer

The Group's customer base is diversified and there was one customer (2012: three) with whom transactions have exceeded 10% of the Group's revenue during the year as follows:

	2013	2012
	HK$'000	HK$'000
Customer A	**19,744**	N/A
Customer B	**N/A**	11,007
Customer C	**N/A**	9,552
Customer D	**N/A**	9,419
	19,744	29,978

4. TURNOVER AND OTHER REVENUE

Turnover which is also the Group's revenue, represents the service provided, net of rebates and discounts.

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

	2013 HK$'000	2012 HK$'000
Turnover		
Hotel operations		
- Hotel room sales	**143,660**	91,528
- Food and beverage income	**5,376**	5,058
- Miscellaneous sales	**398**	378
	149,434	96,964
Other revenue		
Loan interest income	**-**	409
Bank interest income	**6**	4
	6	413
	149,440	97,377

5. FINANCE COSTS

Finance costs comprise the following:

	2013 HK$'000	2012 HK$'000
Interest on bank loans		
- wholly repayable within five years (Note)	**2,029**	2,279
- not wholly repayable within five years (Note)	**1,604**	1,682
Total borrowing costs incurred	**3,633**	3,961
Bank charges	**6**	29
	3,639	3,990

Note: The analysis show finance costs of bank loans, all of which contain a repayment demand clause in accordance with the agreed schedule dates set out in the loan agreements.

6. PROFIT BEFORE INCOME TAX

	2013 HK$'000	2012 HK$'000
Profit before income tax is arrived at after charging the following:		
Cost of services provided	**25,725**	26,667
Auditor's remuneration	**485**	460
Depreciation of property, plant and equipment	**17,303**	17,253
Depreciation of investment property	**302**	302
Amortisation of intangible assets	**1,167**	1,167
Loss on disposal of property, plant and equipment	**-**	1
Staff costs (including directors' emoluments)		
- Salaries and allowances	**48,945**	29,951
- Retirement benefit cost	**909**	911

7. INCOME TAX EXPENSE

(a) Hong Kong profits tax is provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

The income tax expense in the consolidated statement of comprehensive income represents:

	2013 HK$'000	2012 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**10,672**	5,082
Over-provision in prior year	**(69)**	(24)
	10,603	5,058
Deferred taxation		
Origination and reversal of temporary differences, net	**1,890**	(692)
Income tax expense	**12,493**	4,366

(b) The income tax expense for the year can be reconciled to the accounting profit as follows:

	2013	2012
	HK$'000	HK$'000
Profit before income tax	**55,817**	21,083
Tax at appplicable tax rate of 16.5% (2012: 16.5%)	**9,210**	3,478
Tax effect of expenses not deductible for tax purposes	**2,773**	255
Tax effect of income not taxable for tax purposes	**(1)**	-
Over-provision in prior year	**(69)**	(24)
Utilisation of tax loss previously not recognised	**-**	(20)
Unrecognised tax losses	**580**	677
Income tax expense	**12,493**	4,366

8. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**43,478**	16,873
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,310,925,244**	1,310,925,244

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2013 HK$'000	2012 HK$'000
Trade receivables	**9,775**	4,041
Less: allowance for doubtful debts (Note (b))	**(19)**	(19)
	9,756	4,022
Other receivables, deposits and prepayments	**1,316**	884
	11,072	4,906

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

	2013 HK$'000	2012 HK$'000
Within 30 days	**9,212**	3,724
31 – 60 days	**410**	2
61 – 90 days	**134**	9
Over 90 days	**-**	287
	9,756	4,022

(b) The aging analysis of trade receivables, net of allowance, of the Group as the end of reporting period is as follows:

	2013 HK$'000	2012 HK$'000
Neither past due nor imapired	**6,731**	3,229
Within 30 days	**2,684**	494
31 – 60 days	**207**	2
61 – 90 days	**134**	9
Over 90 days	**-**	288
Amount past due but not impaired	**3,025**	793
	9,756	4,022

Before accepting any new customer, the Group assesses the potential customer's quality and defines credit limit by customer.

At 31 March 2013, trade receivables of HK$6,731,000 (2012: HK$3,229,000) are neither past due nor impaired. The Group considers the credit quality of the trade receivables within the credit limit set by the Group using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade debtors and did not identify any credit risk on these trade receivables. Included in the Group's trade receivables balance of HK$3,025,000 (2012: HK$793,000) at 31 March 2013 were past due at 31 March 2013 against which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) The movements in the allowance for doubtful debts during the year are as follows:

The below table reconciled the impairment loss of trade debtors for the year:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 April 2011, 31 March 2012 and 2013	**19**	19

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of HK$19,000 (2012: HK$19,000) which related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year 31 March 2013 (2012: Nil).

BUSINESS REVIEW

Results

The Group's profit and total comprehensive income for the year was presented as follows:

	Year ended 31/3/2013 HK$'000	Year ended 31/3/2012 HK$'000
Hotel business and other operation	**43,324**	16,446
Money lending business	**-**	271
Profit and total comprehensive income for the year	**43,324**	16,717

Turnover of the Group for the year ended 31 March 2013 amounted to approximately HK$149 million which solely comprised the turnover generated from the hotel operation, representing an increase of 54% when compared with the turnover of approximately HK$97 million generated in last year.

The Group recorded a profit attributable to owners of the Company of approximately HK$43 million for the year ended 31 March 2013, representing an increase of 158% when compared with the profit attributable to owners of the Company of approximately HK$17 million for the year ended 31 March 2012.

The increase of profit and total comprehensive income in this year was mainly attributable to the increase of turnover generated from the hotel operation.

Turnover generated from hotel operations for recent years

The turnover generated from hotel operations for recent years was presented as follows:

	Year ended 31/3/2013 HK$'000	Year ended 31/3/2012 HK$'000	Year ended 31/3/2011 HK$'000
Hotel room sales	**143,660**	91,528	74,028
Food and beverage income	**5,376**	5,058	5,289
Miscellaneous sales	**398**	378	675
Turnover	**149,434**	96,964	79,992

Turnover generated from hotel room sales and food and beverage was increasing when comparing the amount between year ended 31 March 2013 and 31 March 2012.

Review of Operation

Hotel business

The Group operates the Mexan Harbour Hotel, a 800-room hotel in Tsing Yi, maintained and average occupancy rate of approximately 99% for the year under review, compared to an average occupancy rate of approximately 98% for last year. Benefited from the continued economic growth of mainland China, visitor arrivals during the year hit a record and visitor spending during the year helped the development of industry sectors including hotel and food and beverage consumption. During the year, the Group's core business recorded satisfactory performance and overall results grew year-on-year.

Prospects

Looking forward, given the uncertainties in global financial markets, the Group operates only one single hotel and it located in Tsing Yi Island which is more isolated and less crowd therefore the hotel income is unstable. Moreover, there will be more new hotels established in the coming year, therefore the Management is cautious about challenges it faces, and will continue its efforts to sustain asset enhancement programs to improve the guest satisfactory and enhance the competitiveness of hotel operation. We remain cautious about the hotel revenue for the incoming year.

Liquidity and Financial Information

During the year under review, cash flow of the Group was mainly generated from the hotel operations. As at 31 March 2013, the Group's total borrowings amounted to approximately HK$233 million compared with approximately HK$323 million as at 31 March 2012. The decrease of the Group's total borrowings was due to the repayment of significant amount of the loan.

As at 31 March 2013, cash and bank balances amounted to approximately HK$23 million compared with cash and bank balances of approximately HK$33 million last year. The Group's net assets as at 31 March 2013 amount to approximately HK$295 million compared with approximately HK$251 million last year.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 79% as at 31 March 2013 compared to approximately 129% as at 31 March 2012. 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 71% compared with approximately 116% last year.

Of the Group's total borrowings as at 31 March 2013, approximately HK$87 million would be due within one year and approximately HK$146 million would be due for repayment after one year which contain a repayable on demand clause. The total borrowings were denominated in HKD and bear a variable interest rate.

The above borrowings were secured by the hotel property, corporate guarantee from the Company and guarantees from directors and their related companies.

Treasury Policies

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

Foreign Exchange Exposure

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly recorded in the currency most connected with the Group's businesses in the countries concerned and the borrowings were balanced by assets in the same currencies.

Equity

Total equity of the Group as at 31 March 2013 was approximately HK$295 million compared with approximately HK$251 million last year. Total equity attributable to owners of the Company as at 31 March 2013 was approximately HK$296 million compared with approximately HK$253 million last year. The increase was resulted from the profit generated for the year under review.

Employee Information and Emolument Policy

As at 31 March 2013, the total number of employees of Group was 118 (2012: 116). 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 pension schemes that cover all the eligible employees of the Group.

Contingent Liability

(a) On 16 January 2010, a borrower (the "Borrower") commenced a legal action against the Company, Winland Mortgage Limited ("Winland Mortgage") and a director of the Company for breach of the Settlement Deed.

The court opined that the deed of settlement did not bar Winland Mortgage's rights to seek redress against the Borrower on the HK$104 million loan facility ("Loan Facility"), therefore the claims by the Borrower in the legal action are unlikely to succeed. The Borrower filed a notice to appeal against the decision of Court on 13 February 2010 and subsequently to 24 May 2010, the Borrower was compulsorily wound up by the High Court. Up to the date of this announcement, the liquidator of the Borrower had not made any indication to pursue the above actions.

No further progress is noted for the litigation case up to date of approval of the consolidated financial statements.

(b) At the end of the reporting period, the Company had a financial guarantee contract issued to a bank in respect of banking facilities of an aggregate amount of HK$515,293,000 (2012: HK$532,273,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$233,293,000 (2012: HK$323,272,000) as at 31 March 2013. The Directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The Company has not recognised any deferred income in respect of the guarantees as the fair value is insignificant and its transaction price was nil. The Company had not recognised any provision in the financial statements as at 31 March 2013 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.

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 code provision A.4.2 of the CG Code as follows:

Under the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in accordance with the Bye-laws, the Chairman and Managing Director are not subject to retirement by rotation or taken into account on determining the number of Directors to retire. This constitutes as a deviation from code provision of A.4.2 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of the Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders of the Company as a whole.

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 was established in March 1999 with specific written terms of reference and comprised of three members, all of them are Independent Non-Executive Directors. The Audit Committee comprises of three members, including Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert. The chairman of the Audit Committee is Mr. Lam Yiu Pang Albert, who is a qualified accountant with appropriate professional qualification and experience in financial matters. 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 the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2013.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11:00 a.m. on Monday, 16 September 2013 at Function Rooms I & II, Rambler Club, Level 6, Rambler Crest, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong and the Notice of the Annual General Meeting will be published and dispatched to shareholders in due course.

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 2013 will be dispatched to the shareholders and published on the above websites in due course.

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.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2013 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 audited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

By Order of the Board

MEXAN LIMITED

Lun Chi Yim

Chairman

Hong Kong, 28 June 2013

As at the date of this announcement, the Executive Directors are Mr. Lun Chi Yim (Chairman), Mr. Lun Yiu Kay Edwin (Managing Director), Ms. Suen Chui Fan and Mr. Ng Tze Ho Joseph and the Independent Non-Executive Directors are Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert.