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MEXAN LIMITED

茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board of directors (the “Board”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated accounts of the Group for the six months ended 30 September 2015 together with the comparative figures for the corresponding previous period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		Unaudited Six months ended 30 September	
	Notes	2015 HK\$'000	2014 HK\$'000
Turnover	2	76,764	66,155
Direct costs		(12,380)	(12,235)
Gross profit		64,384	53,920
Other income	2	5	3
Administrative and other operating expenses		(12,279)	(11,589)
Depreciation and amortisation		(9,556)	(9,491)
Finance costs	4	(697)	(743)
Profit before income tax	5	41,857	32,100
Income tax expenses	6	(8,063)	(6,996)
Profit and total comprehensive income for the period		33,794	25,104

* For identification purposes only

		Unaudited	
		Six months ended	
		30 September	
	<i>Notes</i>	2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit and total comprehensive income attributable to:			
Owners of the Company		33,869	25,179
Non-controlling interests		<u>(75)</u>	<u>(75)</u>
		<u>33,794</u>	<u>25,104</u>
Earnings per share – basic and diluted			
<i>(HK cents)</i>	7	<u>2.584</u>	<u>1.921</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		503,348	512,025
Intangible assets		1,263	1,846
Investment property		9,584	9,735
Club membership		1,350	1,350
		<u>515,545</u>	<u>524,956</u>
Current assets			
Inventories		129	145
Trade and other receivables	8	9,335	7,095
Amounts due from related companies	11(b)	38	58
Tax recoverable		–	3,307
Cash and bank balance		21,881	24,422
		<u>31,383</u>	<u>35,027</u>
Current liabilities			
Other payables, deposits received and accrued charges		17,622	36,291
Amount due to a non-controlling shareholder of a subsidiary	11(b)	6,414	6,414
Amounts due to related companies	11(b)	–	5
Bank loans	9	88,564	121,495
Tax payable		4,331	–
		<u>116,931</u>	<u>164,205</u>

		Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
	<i>Notes</i>		
Net current liabilities		<u>(85,548)</u>	<u>(129,178)</u>
Total assets less current liabilities		<u>429,997</u>	<u>395,778</u>
Non-current liabilities			
Deferred tax liabilities		<u>10,285</u>	<u>9,860</u>
Net assets		<u>419,712</u>	<u>385,918</u>
EQUITY			
Share capital	10	26,218	26,218
Reserves		<u>395,271</u>	<u>361,402</u>
Equity attributable to owners of the Company		421,489	387,620
Non-controlling interests		<u>(1,777)</u>	<u>(1,702)</u>
Total equity		<u>419,712</u>	<u>385,918</u>

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2015 (the “Unaudited Condensed Interim Financial Information”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Unaudited Condensed Interim Financial Information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

The Unaudited Condensed Interim Financial Information has been prepared under the historical cost convention and the accounting policies of which are consistent with those of the Group’s annual audited financial statements for the year ended 31 March 2015 (the “2015 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 September 2015 are consistent with those used in the preparation of the 2015 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Standards (“HKFRSs”) which include individual Hong Kong Financial Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations as disclosed below.

The Unaudited Condensed Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the year ended 31 March 2015 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA, which is relevant to and effective for the Group’s financial statements for the annual financial period beginning on or after 1 April 2015.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

Except as explained below, the adoption of these amendments had no material impact on the Group’s Unaudited Condensed Interim Financial Information.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

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

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Save as the main changes described above, 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 quantify the effects on the Group's accounting policies and financial statements

2. TURNOVER

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 income are as follows:

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Turnover		
Hotel operations		
– Hotel room sales	73,663	63,386
– Food and beverage income	2,181	2,479
– Miscellaneous sales	920	290
	76,764	66,155
Other income		
Bank interest income	5	3
	76,769	66,158

3. SEGMENT INFORMATION

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

4. FINANCE COSTS

Finance costs comprise the following:

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Interest on bank loans not wholly repayable within five years	491	590
Interest on bank loans wholly repayable within five years	<u>–</u>	<u>148</u>
Total borrowing costs incurred	491	738
Bank charges	<u>206</u>	<u>5</u>
	<u>697</u>	<u>743</u>

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived after charging the following:

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Cost of service provided	12,380	12,235
Staff costs	11,742	11,256
Depreciation of property, plant and equipment	8,822	8,757
Amortisation of intangible assets	583	583
Depreciation of investment property	<u>151</u>	<u>151</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profits for the period.

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

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	7,638	5,955
Deferred taxation	425	1,041
	8,063	6,996

7. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	33,869	25,179
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	1,310,925	1,310,925

There is no dilutive potential share for the six months ended 30 September 2015 and 2014.

8. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Trade receivables	8,451	5,915
Deposits, prepayments and other receivables	<u>884</u>	<u>1,180</u>
	<u>9,335</u>	<u>7,095</u>

- (a) The Group allows an average credit period of a week (31 March 2015: one week) to its trade customers. All the trade receivables are expected to be recovered within one year. The following is an ageing analysis of trade receivables, net of allowance, at the end of the reporting period:

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Within 30 days	6,831	5,915
61 – 90 days	180	–
Over 90 days	<u>1,440</u>	<u>–</u>
	<u>8,451</u>	<u>5,915</u>

9. BANK LOANS

	Unaudited 30 September 2015 <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Secured bank instalment loans	<u>88,564</u>	<u>121,495</u>

- (a) All bank loans are denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 30 September 2015, the effective interest rate of the bank instalment loans is 0.89% (31 March 2015: 0.87%) per annum respectively.
- (b) The bank loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company and guarantees from the directors of the Group and their related companies.
- (c) Based on the scheduled repayment date set out in the loan agreements, the amounts repayable in respect of the installment loans are as follows:

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
On demand or within one year	<u>12,954</u>	<u>16,516</u>
More than one year, but not exceeding two years	13,067	16,660
More than two years, but not exceeding five years	39,909	50,524
After five years	<u>22,634</u>	<u>37,795</u>
	<u>75,610</u>	<u>104,979</u>
	<u>88,564</u>	<u>121,495</u>
Carrying amount of bank loans for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	<u>75,610</u>	<u>104,979</u>

10. SHARE CAPITAL

	30 September 2015 (Unaudited)		31 March 2015 (Audited)	
	<i>Number of shares</i>	<i>Amount HK\$'000</i>	<i>Number of shares</i>	<i>Amount HK\$'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.02 each	<u>3,000,000,000</u>	<u>60,000</u>	<u>3,000,000,000</u>	<u>60,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.02 each	<u>1,310,925,244</u>	<u>26,218</u>	<u>1,310,925,244</u>	<u>26,218</u>

11. RELATED PARTY TRANSACTIONS

As at 30 September 2015, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which is incorporated in the British Virgin Islands.

Transactions between the Company and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below.

- (a) As at 30 September 2015, the Group's bank loans of HK\$88,564,000 were secured by personal guarantees from Mr. Lun Yiu Kay Edwin, director of the Company, and corporate guarantees from Winland Enterprises Limited in which Mr. Lun Yiu Kay Edwin has beneficial interests.
- (b) Amounts due from/(to) related companies and amount due to a non-controlling shareholder of a subsidiary are unsecured, interest free and repayable on demand.
- (c) During the six months ended 30 September 2015, the rental expenses of the outdoor billboard advertisement during the cover period from 2 April 2015 to 30 April 2015 were waived by Winland Investment Holding Limited in which Mr. Lun Yiu Kay Edwin has beneficial interest.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group mainly focuses on the operation of Mexan Harbour Hotel, a 800-room four-star hotel in Tsing Yi. For the six months ended 30 September 2015, the Group recorded a turnover of approximately HK\$77 million (for six months ended 30 September 2014: HK\$66 million) generated from hotel operations.

The profit before income tax for the period was HK\$42 million (for six months ended 30 September 2014: HK\$32 million), representing a increase of 30% as compared with the corresponding period in last year.

Looking forward, the management will closely monitor any future fluctuations and uncertainties of the market, continues optimizing its earnings, implementing strict cost controls and keep on improving their quality of services to customers.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2015, the Group's total borrowings amounted to approximately HK\$89 million (31 March 2015: HK\$121 million). As at 30 September 2015, cash and bank balances amounted to approximately HK\$22 million (31 March 2015: HK\$24 million). The Group's net assets as at 30 September 2015 amounted to HK\$420 million (31 March 2015: HK\$386 million).

Gearing ratio of the Group that is expressed as a percentage of total borrowings to shareholders' funds was approximately 21% as at 30 September 2015 compared to approximately 31% as at 31 March 2015.

Of the Group's total borrowings as at 30 September 2015, approximately HK\$13 million (15%) would be due within one year, approximately HK\$13 million (15%) would be due in more than one year but not exceeding two years, approximately HK\$40 million (45%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$23 million (25%) would be due in more than five years.

The Group's total borrowings were denominated in HK\$, 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.

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2015, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 September 2015, the total number of employees of the Group was approximately 124 (31 March 2015: 125). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme that covers all the eligible employees of the Group.

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

During the six months ended 30 September 2015, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2015 except for the following deviation:

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

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ng Hung Sui Kenneth are independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 7 September 2015 as they had other business engagement.

AUDIT COMMITTEE

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2015 and discussed with the management the accounting principles and practices and internal control of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises four members, a majority of whom are independent non-executive directors. The role and function of the Remuneration Committee is to review, discuss and approve the remuneration mechanism of the directors and senior management of the Company and to establish and maintain a reasonable and competitive remuneration level in order to attract and retain the directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 September 2015.

APPRECIATION

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

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

Hong Kong, 27 November 2015

As at the date of this announcement, the executive directors are Mr. Lun Yiu Kay Edwin (Chairman), 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.