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 2019

The board of directors (the "Board") of MEXAN LIMITED (the "Company") is pleased to announce that the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019, together with comparative figures for the corresponding year 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*4*	**72,195**	62,164
Direct costs		**(25,456)**	(25,281)
Gross profit		**46,739**	36,883
Other revenue	*4*	**576**	79
Administrative and other operating expenses		**(26,738)**	(23,629)
Depreciation		**(19,907)**	(18,178)
Write back of impairment loss on trade receivables		**4,550**	6,130
Finance costs	*5*	**(748)**	(572)
Profit before income tax	*6*	**4,472**	713
Income tax expense	*7*	**(3,367)**	(977)
Profit/(Loss) and total comprehensive income for the year		**1,105**	(264)

* *For identification purposes only*

	Note	2019 HK$'000	2018 HK$'000
Profit/(Loss) and total comprehensive income attributable to:			
Owners of the Company		**1,267**	(107)
Non-controlling interests		**(162)**	(157)
		1,105	(264)
Earnings/(Loss) per share attributable to owners of the Company			
– basic and diluted *(HK cents)*	*8*	**0.08**	(0.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**610,509**	461,097
Intangible assets		**–**	–
Investment property		**8,527**	8,829
		619,036	469,926
Current assets			
Inventories		**130**	151
Trade and other receivables	*10*	**4,421**	6,019
Amounts due from related parties		**38**	68
Tax recoverable		**1**	–
Cash and bank balances		**30,239**	22,945
		34,829	29,183
Current liabilities			
Other payables, deposits received and accrued charges		**20,615**	20,363
Amount due to a non-controlling shareholder of a subsidiary		**6,414**	6,414
Bank loan		**30,920**	40,284
Tax payable		**1,067**	14
		59,016	67,075
Net current liabilities		**(24,187)**	(37,892)
Total assets less current liabilities		**594,849**	432,034
Non-current liabilities			
Deferred tax liabilities		**12,771**	11,449
Net assets		**582,078**	420,585
EQUITY			
Share capital		**39,328**	26,218
Reserves		**545,083**	396,538
Equity attributable to owners of the Company		**584,411**	422,756
Non-controlling interests		**(2,333)**	(2,171)
Total equity		**582,078**	420,585

Notes:

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018

Annual Improvements to HKFRS 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 April 2018 under HKAS 39**	**Carrying amount as at 1 April 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Trade receivables	Loans and receivables	Amortised cost	5,103	5,103
Deposits and other receivables	Loans and receivables	Amortised cost	296	296
Amounts due from related parties	Loans and receivables	Amortised cost	68	68
Cash and bank balances	Loans and receivables	Amortised cost	22,945	22,945

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The loss allowances for trade receivables are measured using HKFRS 9 simplified approach and calculated based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. The 12 months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

I. Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and by the invoice date. The expected credit loss rate is determined by the historical settlement pattern of trade receivables, which is the proportion of trade receivables yet to be settled after 90 days to the whole balance of trade receivables in each aging category. The publicly available information of the expected future market development of hotel industry has been considered in the application of the expected loss rate. The loss allowance as at 1 April 2018 was determined as follows for trade receivables:

1 April 2018	**Within 30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
Expected loss rate *(%)*	0.00%	0.00%	0.00%	90.21%	
Gross carrying amount *(HK$'000)*	3,900	3	–	12,262	16,165
Expected credit losses *(HK$'000)*	–	–	–	11,062	11,062

There is no change of the loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018.

II. Impairment of deposits and other receivables

Other financial assets at amortised cost of the Group mainly represents deposits and other receivables. The Group has applied the ECL model and the impact is considered insignificant to the Group. No ECL is recognised upon the transition to HKFRS 9 as of 1 April 2018 and for the year ended 31 March 2019.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

– The determination of the business model within which a financial asset is held;

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

– The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group considered that the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 April 2018) is insignificant. As a result, the financial information presented for the year ended 31 March 2018 has not been restated.

The adoption of HKFRS 15 has no material impact on the Group's consolidated statement of financial position as at 31 March 2019 and consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

The new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's revenues are explained by the following major sources:

– Hotel room leasing income

– Hotel room sales to walk-in customers

– Food and beverage income

– Miscellaneous sales

Revenue from hotel room leasing income continues to be accounted for in accordance with HKAS 17 "Leases".

Revenue from hotel room sales to walk-in customers is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from food and beverage service and miscellaneous sales is recognised at a point in time when the goods are transferred or the services are provided to the customers, being at the point that the customers have received the services or obtained control of the goods.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective:

HKFRS 16	Leases[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] *Effective for annual periods beginning on or after 1 January 2019*

[2] *Effective for annual periods beginning on or after 1 January 2020*

[3] *Effective for annual periods beginning on or after 1 January 2021*

[4] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 March 2019, the Group does not have any non-cancellable operating lease commitments. For future arrangements that will meet the definition of a lease under HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

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

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

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

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

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

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

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

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

HKFRS 17 – Insurance Contracts

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

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

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

Except as mentioned above, the Group is not yet in a position to state whether other new pronouncements will result in substantial changes to the Group's accounting policies and 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 (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements are prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of revised/amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 1(a).

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 the fact that the Group had a net current liabilities of HK$24,187,000 (2018: HK$37,892,000) as at 31 March 2019.

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) The cash flow projections can be achieved the Group would have sufficient working capital to finance its operation and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period;

(ii) The net assets of the Group approximately HK$582,078,000 (2018: HK$420,585,000), the Group should be able to secure additional loan facilities, if necessary;

(iii) Bank loan with carrying amount of approximately HK$21,364,000 (2018: HK$30,769,000) as at 31 March 2019 that is repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreement, with repayment on demand clause, has been classified as current liability as at 31 March 2019 in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. Taking into account the Group's financial position and the securities underlying the loan, the directors believe that the bank will not exercise its discretionary rights to demand immediate repayment. The directors believe that the bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement; and

(iv) The controlling shareholder, who is also a director of the Company, has provided undertaking not to demand payment of director's discretionary bonus totalling HK$11,000,000 (2018: HK$11,000,000) as at 31 March 2019 owing to him by the Group until such time when payment will not affect the Group's abilities to repay other debts in the normal course of business.

Based on the above, the directors are satisfied that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements and it is appropriate to prepare these consolidated financial statements on a going concern basis.

(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

(a) Operating segment information

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

(b) Geographical segment information

During the years ended 31 March 2019 and 2018, the Group's operations and non-current assets are situated in Hong Kong in which all of its revenue was derived.

(c) Information about major customers

Revenue attributable from two customers (2018: a customer) with whom transactions have exceeded 10% of the Group's revenue during the year as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**37,267**	48,956
Customer B	**12,906**	–
	50,173	48,956

4. REVENUE AND OTHER REVENUE

The Group's revenue represents the service provided, net of discounts.

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

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Hotel operations in Hong Kong		
– Hotel room leasing income	**50,173**	48,956
– Hotel room sales to walk-in customers	**17,961**	9,290
– Food and beverage income	**3,747**	3,515
– Miscellaneous sales	**314**	403
	72,195	62,164
Time of revenue recognition		
– Over the lease term	**50,173**	48,956
– At a point in time	**4,061**	3,918
– Over time	**17,961**	9,290
	72,195	62,164
Other revenue		
Bank interest income	**74**	3
Rental income	**482**	–
Sundry income	**20**	76
	576	79
Total revenue and other revenue	**72,771**	62,243

5. FINANCE COSTS

Finance costs comprise the following:

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loan *(Note)*	**721**	556
Bank charges	**27**	16
	748	572

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

6. PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting) the following:		
Cost of services provided	**25,456**	25,281
Auditor's remuneration	**670**	610
Depreciation of property, plant and equipment	**19,605**	17,876
Depreciation of investment property	**302**	302
Loss on disposal of property, plant and equipment	**4**	–
Write back of impairment loss on trade receivables	**(4,550)**	(6,130)
Staff costs (including directors' emoluments)		
– Salaries and allowances	**30,041**	27,782
– Retirement benefit cost	**1,109**	1,024

7. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. The two-tiered profits tax rate applies to years of assessment commencing on or after 1 April 2018.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong profits tax of the qualifying corporation in the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other corporations in the Group which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5% (2018: 16.5%). The directors of the Company considered the impact of two-tiered profits tax rates regime to the applicable tax rate is insignificant, and the applicable tax rate to the Group is maintained at 16.5% (2018: 16.5%).

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

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year		
– At 16.5%	**2,001**	1,242
– At 8.25%	**165**	–
Under/(Over) provision in prior years	**80**	(8)
	2,246	1,234
Deferred taxation		
Origination and reversal of temporary differences, net	**1,121**	889
Effect on opening deferred tax balances resulting from change in applicable tax rate	**–**	(1,146)
	1,121	(257)
Income tax expense	**3,367**	977

8. EARNINGS/(LOSS) PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Profit/(Loss) for the year attributable to owners of the Company	**1,267**	(107)
Number of shares		
Weighted average number of ordinary shares *('000)* for the purpose of basic earnings/(loss) per share	**1,679,062**	1,310,925

No dilutive earnings/(loss) per share is presented as there were no potential ordinary shares in issue during the years ended 31 March 2019 and 2018.

9. 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 2019, additions to property, plant and equipment approximately amounted to HK$169,021,000 (2018: HK$1,393,000), which is mainly related to acquisition of an office premises.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**9,850**	16,165
Less: Provision for impairment loss	**(6,512)**	(11,062)
	3,338	5,103
Deposits, prepayments and other receivables	**1,083**	916
	4,421	6,019

The Group allows an average credit period of one week (2018: one week) to its trade customers. All trade receivables are expected to be recovered within one year. The following is an ageing analysis of trade receivables, based on invoice date and net of allowance, at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**2,588**	3,900
31 – 60 days	**–**	3
61 – 90 days	**–**	–
Over 90 days	**750**	1,200
	3,338	5,103

At 31 March 2018, included in the allowance for doubtful debts of HK$6,130,000 are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than one year 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:

	2019	2018
	HK$'000	*HK$'000*
At 1 April	**11,062**	17,192
Write back of impairment loss previously recognised *(Note 6)*	**(4,550)**	(6,130)
At 31 March	**6,512**	11,062

Disclosure under HKFRS 9

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

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

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

Disclosure under HKAS 39

Aging analysis of trade receivables, net of allowances, which are past due but not impaired is as follows:

	2018 *HK$'000*
Neither past due nor impaired	2,007
Within 30 days	1,896
31 – 60 days	–
61 – 90 days	–
Over 90 days	1,200
Amount past due but not impaired	3,096
	5,103

Before accepting any new customer (other than walk-in customers), the Group assesses the potential customer's quality and defines credit limit by customer.

At 31 March 2018, trade receivables of HK$2,007,000 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 significant credit risk on these trade receivables. Included in the Group's trade receivables balance of HK$3,096,000 at 31 March 2018 were past due at 31 March 2018 against which the Group has not provided for impairment loss. The management believes that no impairment allowance is necessary in respect of these balances having considered the outstanding balances could be set off against the deposits.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year 31 March 2019 (2018: Nil).

BUSINESS REVIEW

Results

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

	2019	2018
	HK$'000	*HK$'000*
Hotel business and other operation	**1,105**	(264)
Profit/(loss) and total comprehensive income for the year	**1,105**	(264)

Revenue of the Group for the year ended 31 March 2019 amounted to approximately HK$72 million which solely comprised the turnover generated from the hotel operation, representing an increase of 16% when compared with the turnover of approximately HK$62 million generated in last year.

The Group recorded a profit attributable to owners of the Company of approximately HK$1.27 million for the year ended 31 March 2019, while a loss attributable to owners of the Company of approximately HK$0.11 million for the year ended 31 March 2018.

The 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:

	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*
Hotel room sales	**68,134**	58,246	80,911
Food and beverage income	**3,747**	3,515	3,660
Miscellaneous sales	**314**	403	314
Turnover	**72,195**	62,164	84,885

Turnover generated from hotel room sales was increasing when comparing the amount between years ended 31 March 2019 and 31 March 2018.

Review of Operation

Hotel business

The Group operates the Winland 800 Hotel (formerly known as Mexan Harbour Hotel), a 800-room hotel in Tsing Yi, maintained an average occupancy rate of approximately 97% for the year under review. Turnover increased when compared with last year was due to the increase in average room rate.

Prospects

Although there was steady overall increase in the number of visitors to Hong Kong in the year under review, looking forward, the hotel market may be affected by variety of uncertainties in the global economic environment. It may be a challenge to drive up revenue and to control costs. The management will make an effort to manage the business prudently, to deliver satisfactory results and sustainable returns to our shareholders.

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 2019, the Group's total borrowings amounted to approximately HK$31 million compared with approximately HK$40 million as at 31 March 2018. The decrease of the Group's total borrowings was due to the repayment of partial amount of the bank loan.

As at 31 March 2019, cash and bank balances amounted to approximately HK$30 million compared with cash and bank balances of approximately HK$23 million last year. The Group's net assets as at 31 March 2019 amounted to approximately HK$582 million, which increased from approximately HK$421 million as at 31 March 2018, mainly due to acquisition of an office premises.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 5.31% as at 31 March 2019 compared with approximately 9.58% as at 31 March 2018. 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 0.12% compared with approximately 4.12% last year.

Of the Group's total borrowings as at 31 March 2019, approximately HK$10 million would be due within one year and approximately HK$21 million would be due for repayment after one year which contain a repayable on demand clause. The total borrowings were denominated in HK$ and bear a variable interest rate.

The above borrowings were secured by the hotel property and the corporate guarantee from the Company.

Treasury Policies

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

Equity

Total equity of the Group as at 31 March 2019 was approximately HK$582 million while there was approximately HK$421 million as at 31 March 2018. Total equity attributable to owners of the Company as at 31 March 2019 was approximately HK$584 million while there was approximately HK$423 million as at 31 March 2018. The increase in equity was due to the open offer completed during the year.

Open Offer

On 7 September 2018, the Company issued 655,462,622 ordinary shares on the basis of one ordinary shares for every two ordinary shares held on 31 July 2018 at the offer price of HK$0.25 each (the "Open Offer"). The Company raised approximately HK$163,866,000 before any related issuance costs arising from the Open Offer, resulting in an increase in the issued share capital of the Company by approximately HK$13,110,000 and the share premium of the Company by approximately HK$147,278,000 after netting off with the related share issue expense of approximately HK$3,478,000.

The net proceeds from Open Offer were fully applied to the acquisition of an office premises during the year. Details of the Open Offer were included in the Prospectus issued by the Company on 15 August 2018.

Major Transaction

The Group has completed a major transaction of acquiring an office premises through acquisition of a subsidiary during the year.

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

Details of the Major Transaction were included in the Circular issued by the Company on 29 August 2018.

Employee Information and Emolument Policy

As at 31 March 2019, the total number of employees of Group was 111 (2018: 110). 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 Liabilities

At the end of the reporting period, the Company provided a financial guarantee to a bank for the banking facilities of an aggregate amount of approximately HK$530,920,000 (2018: HK$40,284,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$30,920,000 (2018: HK$40,284,000) as at 31 March 2019. There was unutilised banking facilities of HK$500,000,000, which the Group may utilise in case there is any appropriate investment opportunity. 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 Company's financial statements as at 31 March 2019 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 the CG Code as follows:

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

Under the code provision A.2.7 of the CG Code provides that the chairman should at least annually hold meetings with the independent non-executive directors without the executive directors present. Although the chairman did not hold a meeting with the independent non-executive Directors during the year ended 31 March 2019, he delegated the company secretary to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

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.

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ng Hung Sui Kenneth is an independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 5 September 2018 as he had other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

EVENT AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere in this announcement, there was no significant event taken place subsequent to 31 March 2019 and up to the date of this announcement.

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. Lau Shu Kan. The chairman of the Audit Committee is Mr. Lau Shu Kan. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

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 2019.

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 2019 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 profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 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 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 Yiu Kay Edwin
Chairman

Hong Kong, 25 June 2019

As at the date of this announcement, the Executive Directors are Mr. Lun Yiu Kay Edwin (Chairman) and Mr. Ng Tze Ho Joseph and the Independent Non-Executive Directors are Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lau Shu Kan.