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 2019

The board (the "**Board**") of directors (the "**Directors**") 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 2019. The results have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 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 2019

		Unaudited Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**32,599**	34,206
Direct costs		**(12,380)**	(10,800)
Gross profit		**20,219**	23,406
Other revenue	*4*	**115**	81
Administrative and other operating expenses		**(12,495)**	(12,151)
Depreciation and amortisation		**(10,776)**	(9,165)
(Provision for)/Write back of impairment loss on trade receivables		**(159)**	1,505
Impairment loss on property, plant and equipment		**(17,129)**	–
Finance costs	*6*	**(381)**	(386)
(Loss)/Profit before income tax	*7*	**(20,606)**	3,290
Income tax expense	*8*	**(1,722)**	(1,474)
(Loss)/Profit and total comprehensive income for the period		**(22,328)**	1,816

* *For identification purposes only*

		Unaudited Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
(Loss)/Profit and total comprehensive income attributable to:			
Owners of the Company		**(22,254)**	1,891
Non-controlling interests		**(74)**	(75)
		(22,328)	1,816
(Loss)/Earnings per share attributable to owners of the Company			
– basic and diluted *(HK cents)*	*9*	**(1.132)**	0.135

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	**Unaudited 30 September 2019 *HK$'000***	Audited 31 March 2019 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**583,353**	610,509
Investment property		**8,376**	8,527
		591,729	619,036
Current assets			
Inventories		**135**	130
Trade and other receivables	*12*	**6,262**	4,421
Amounts due from related parties	*15(a)*	**38**	38
Tax recoverable		**–**	1
Cash and bank balances		**19,946**	30,239
		26,381	34,829
Current liabilities			
Other payables, deposits received and accrued charges		**10,184**	20,615
Amount due to a non-controlling shareholder of a subsidiary	*15(a)*	**6,414**	6,414
Bank loan	*13*	**26,203**	30,920
Tax payable		**1,407**	1,067
		44,208	59,016

	Notes	Unaudited 30 September 2019 HK$'000	Audited 31 March 2019 HK$'000
Net current liabilities		**(17,827)**	(24,187)
Total assets less current liabilities		**573,902**	594,849
Non-current liabilities			
Deferred tax liabilities		**14,152**	12,771
Net assets		**559,750**	582,078
EQUITY			
Share capital	*14*	**39,328**	39,328
Reserves		**522,829**	545,083
Equity attributable to owners of the Company		**562,157**	584,411
Non-controlling interests		**(2,407)**	(2,333)
Total equity		**559,750**	582,078

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mexan Limited (the "Company") was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of registered office and principal place of operation of the Company are disclosed in the "Corporate Information" section to the interim report.

The Company is an investment holding company. The Company and its subsidiaries are collectively referred to as the "Group".

2. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 September 2019 (the "Unaudited Condensed Interim Financial Statements") 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 Statements is presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Unaudited Condensed Interim Financial Statements has been prepared on a going concern basis, notwithstanding the fact that the Group had a net current liabilities of HK$17,827,000 (31 March 2019: HK$24,187,000 (audited)) as at 30 September 2019.

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

(i) The net assets of approximately HK$559,750,000, the Group should be able to secure additional loan facilities, if necessary;

(ii) Bank loan with carrying amount of approximately HK$26,203,000 as at 30 September 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 30 September 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

(iii) On 27 September 2019, City Promenade Limited, a wholly-owned subsidiary of the Company, has entered into a Revolving Loan Facility Agreement with Winland Wealth (BVI) Limited (the "Controlling Shareholder") that the Controlling Shareholder provides an interest-bearing revolving loan facility (the "Facility") in the amount of HK$33,000,000 to City Promenade Limited for 2 years without cancellation and without any pledge of security. The Facility is undertaken by a related company of the Controlling Shareholder which is wholly-owned by a director of the Company. As at 30 September 2019, City Promenade Limited has not utilised any Facility from the Controlling Shareholder.

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 the Unaudited Condensed Interim Financial Statements on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The Unaudited Condensed Interim Financial Statements 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 2019 (the "2019 Annual Financial Statements") as described thereof.

The accounting policies adopted for the six months ended 30 September 2019 are consistent with those used in the preparation of the 2019 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which include individual Hong Kong Financial Reporting 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 2019 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 relevant to and effective for of the Group's consolidated financial statements for the annual financial period beginning on or after 1 April 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17 "Leases", the adoption of HKFRS 16 does not have significant impact on the Unaudited Condensed Interim Financial Statements. The application of other new or revised HKFRSs in the current interim period has no material effect on the amounts reported in the Unaudited Condensed Interim Financial Statements and/or disclosures set out in the Unaudited Condensed Interim Financial Statements. The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the Unaudited Condensed Interim Financial Statements.

4. REVENUE AND OTHER REVENUE

Revenue represents the hotel room leasing income, hotel room sales to walk-in customers, food and beverage income and miscellaneous sales, net of discounts.

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

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
Hotel operations in Hong Kong		
– Hotel room leasing income	**22,527**	24,742
– Hotel room sales to walk-in customers	**8,241**	7,398
– Food and beverage income	**1,689**	1,726
– Miscellaneous sales	**142**	340
	32,599	34,206
Time of revenue recognition		
– Over the lease term	**22,527**	24,742
– At a point in time	**1,831**	2,066
– Over time	**8,241**	7,398
	32,599	34,206
Other revenue		
Bank interest income	**11**	63
Rental income	**–**	18
Other income	**104**	–
	115	81

5. 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.

6. FINANCE COSTS

Finance costs comprise the following:

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Interest on bank loan	**371**	365
Bank charges	**10**	21
	381	386

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging/(crediting) the following:

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Cost of service provided	**12,380**	10,800
Depreciation of property, plant and equipment	**10,625**	9,014
Depreciation of investment property	**151**	151
Provision for impairment loss on property, plant and equipment	**17,129**	–
Provision for/(Write back) of impairment loss on trade receivables	**159**	(1,505)
Staff costs	**14,683**	12,929

8. INCOME TAX EXPENSE

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

The two-tiered profits tax rates regime was applied for the six months ended 30 September 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%. 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%.

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

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax	**341**	1,049
Deferred taxation	**1,381**	425
	1,722	1,474

9. (LOSS)/EARNINGS PER SHARE

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

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
(Loss)/Earnings		
(Loss)/Profit for the period attributable to owners of the Company	**(22,254)**	1,891
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share *('000)*	**1,966,388**	1,396,888

No dilutive loss per share is presented as there was no potential ordinary shares in issue during the six months ended 30 September 2019 and 2018.

10. INTERIM DIVIDEND

The directors do not recommend the payment of dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, provision for impairment loss of office property included in property, plant and equipment of approximately HK$17,129,000 was recognised in Condensed Statement of Profit or Loss and other comprehensive income to write down to its recoverable amount mainly due to the unfavorable property market condition.

For the purpose of impairment testing as at 30 September 2019, the recoverable amount of the office property was determined based on fair value less cost of disposal. The fair value was determined by market approach, which was carried out by referencing the recent market transaction prices of similar properties as observable inputs, ranging from approximately HK$75,000 to HK$90,000 per sq. feet. With such recent market transactions, adjustments mainly include size, view and floor level were applied in arriving the fair value and is therefore within level 3 hierarchy.

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2019	Audited 31 March 2019
	HK$'000	*HK$'000*
Trade receivables	**12,292**	9,850
Less: Provision for impairment loss	**(6,671)**	(6,512)
	5,621	3,338
Deposits, prepayments and other receivables	**641**	1,083
	6,262	4,421

The Group allows an average credit period of one week (31 March 2019: one week) to its trade customers. All trade receivables are expected to be recovered within one year. The following is an aging analysis of trade receivables, based on invoice date and net of allowance, at the end of the reporting period:

	Unaudited 30 September 2019	Audited 31 March 2019
	HK$'000	*HK$'000*
Within 30 days	**463**	2,588
31 – 60 days	**3,718**	–
61 – 90 days	**1,415**	–
Over 90 days	**25**	750
	5,621	3,338

13. BANK LOAN

	Unaudited 30 September 2019	Audited 31 March 2019
	HK$'000	*HK$'000*
Secured bank instalment loan	**26,203**	30,920

(a) The bank loan is denominated in HK$, carried at a variable interest rate with reference to 1-month Hong Kong Interbank Offered Rate. At 30 September 2019, the effective interest rate of the bank instalment loan is 2.58% (31 March 2019: 1.99%) per annum.

(b) The bank loan is secured by the first legal charge of the hotel property of the Group and the corporate guarantee from the Company.

(c) Based on the scheduled repayment date set out in the loan agreement, the amounts repayable in respect of the installment loan are as follows:

	Unaudited 30 September 2019 HK$'000	Audited 31 March 2019 HK$'000
On demand or within one year	**9,618**	9,556
More than one year, but not exceeding two years	**9,866**	9,747
More than two years, but not exceeding five years	**6,719**	11,617
	16,585	21,364
Bank loan	**26,203**	30,920
Carrying amount of bank loan for repayment after one year which contains a repayment on demand clause (shown under current liabilities)	**16,585**	21,364

14. SHARE CAPITAL

	30 September 2019 (Unaudited)		31 March 2019 (Audited)	
	Number of shares	***Amount HK$'000***	*Number of shares*	*Amount HK$'000*
Authorised:				
Ordinary shares of HK$0.02 each	**3,000,000,000**	**60,000**	3,000,000,000	60,000
Issued and fully paid:				
Ordinary shares of HK$0.02 each	**1,966,387,866**	**39,328**	1,966,387,866	39,328

15. RELATED PARTY TRANSACTIONS

As at 30 September 2019, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which was incorporated in the British Virgin Islands.

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

(a) Amounts due from related parties and amount due to a non-controlling shareholder of a subsidiary are unsecured, interest-free and repayable on demand.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The business of the Group mainly focuses on the operation of Winland 800 Hotel, a 800-room hotel in Tsing Yi, New Territories, Hong Kong. For the six months ended 30 September 2019, the Group recorded a turnover of approximately HK$33 million (for the six months ended 30 September 2018: HK$34 million) generated from hotel operations.

The loss after income tax for the period was HK$22.3 million (for the six months ended 30 September 2018: profit after income tax of HK$1.8 million). The result was mainly attributable to the social unrest occurring in Hong Kong since June 2019 which has seriously damaged Hong Kong's inbound tourism industry and has impacted the Group's profit from hotel room sales. In order to maintain sales and market share, promotional campaigns on hotel room rate have been launched and as a result, the profit margin was negatively affected. On the other hand, operational costs including labour cost had been rising during the Period. Further, an impairment on office property has been provided to reflect the unfavourable market conditions. The provision for asset impairment has further negative impact to the profitability of the Group for the Period.

In view of the uncertain society and business outlook in Hong Kong in the second half of 2019, the implications to tourism was revealed by the substantial shrinkage in overseas and mainland PRC visitors. We sincerely hope that the social unrest could be pacified and look forward to a quick recovery of the tourism and hotel industry in Hong Kong.

The Management will cope with the challenging business threats ahead with close monitoring of the situation and to minimise the impact by taking prudent and appropriate measures.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2019, the Group's total borrowings amounted to approximately HK$26.2 million (31 March 2019: HK$30.9 million). As at 30 September 2019, cash and bank balances amounted to approximately HK$19.9 million (31 March 2019: HK$30.2 million). The Group's net assets as at 30 September 2019 amounted to HK$559.8 million (31 March 2019: HK$582.1 million).

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 4.68% as at 30 September 2019 compared to approximately 5.31% as at 31 March 2019.

Of the Group's total borrowings as at 30 September 2019, approximately HK$9.6 million would be due for repayment within one year and approximately HK$16.6 million would be due for repayment after one year which is subject to repayable on demand clause. The borrowings were denominated in HK$ and bear a variable interest rate.

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

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 2019, 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 2019, the total number of employees of the Group was approximately 107 (31 March 2019: 111). Remuneration packages are generally structured by reference to market terms and individual qualifications. The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

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 2019 except for the following deviation:

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

Under the code provision A.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 is an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 6 September 2019 as he 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 consolidated financial statements of the Group for the six months ended 30 September 2019 and discussed with the management the accounting principles and practices and internal control of the Group.

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 2019.

EVENT AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there was no significant event taken place subsequent to 30 September 2019 and up to the date of this report.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2019 containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.mexanhk.com) in due course on or before 31 December 2019.

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, 18 November 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.