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 2020

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 2020, together with comparative figures for the corresponding year 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	4	**43,541**	72,195
Direct costs		**(24,087)**	(25,456)
Gross profit		**19,454**	46,739
Other income	4	**228**	576
Administrative and other operating expenses		**(26,056)**	(26,738)
Depreciation		**(21,373)**	(19,907)
(Increase)/Decrease of impairment loss on trade receivables	11	**(188)**	4,550
Impairment loss on investment property	10	**(43,319)**	–
Finance costs	5	**(758)**	(748)

* *For identification purposes only*

	Notes	**2020**	2019
		HK$'000	*HK$'000*
(Loss)/Profit before income tax	*6*	**(72,012)**	4,472
Income tax credit/(expense)	*7*	**1,194**	(3,367)
(Loss)/Profit and total comprehensive income for the year		**(70,818)**	1,105
(Loss)/Profit and total comprehensive income attributable to:			
Owners of the Company		**(70,661)**	1,267
Non-controlling interests		**(157)**	(162)
		(70,818)	1,105
(Loss)/Earnings per share attributable to owners of the Company			
– basic and diluted *(HK cents)*	*8*	**(3.59)**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	**426,252**	610,509
Investment property	10	**128,806**	8,527
		555,058	619,036
Current assets			
Inventories		**95**	130
Trade and other receivables	11	**2,921**	4,421
Amounts due from related parties		**–**	38
Tax recoverable		**1**	1
Cash and bank balances		**7,760**	30,239
		10,777	34,829
Current liabilities			
Other payables, deposits received and accrued charges		**5,524**	20,615
Bank loan		**21,453**	30,920
Contract liabilities		**426**	–
Amount due to a non-controlling shareholder of a subsidiary		**6,414**	6,414
Amount due to a related party		**9,012**	–
Tax payable		**4**	1,067
		42,833	59,016
Net current liabilities		**(32,056)**	(24,187)
Total assets less current liabilities		**523,002**	594,849
Non-current liabilities			
Deferred tax liabilities		**11,742**	12,771
Net assets		**511,260**	582,078
EQUITY			
Share capital		**39,328**	39,328
Reserves		**474,422**	545,083
Equity attributable to owners of the Company		**513,750**	584,411
Non-controlling interests		**(2,490)**	(2,333)
Total equity		**511,260**	582,078

Notes:

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019

The Hong Kong Institute of Certified Accountants ("HKICPA") has issued a number of new or amended HKFRS, that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" have been summarised in below. The other new or amended HKFRSs that are effective in the current accounting period did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement Contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease and accounting of leases, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and recognised right-of-use assets at the date of initial application for leases previously classified as operating leases applying HKAS 17. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The hotel property held under medium term lease of HK$441,788,000, office property held under medium term lease of HK$166,953,000 and investment property held under medium term lease of HK$8,527,000 have been previously classified as operating leases as at 1 April 2019. These operating leases have been recognised as right-of-use assets at the date of initial application of HKFRS 16 on 1 April 2019 and the items of right-of-use assets included in the consolidated statement of financial position are presented as below:–

	HK$'000
Consolidated statement of financial position as at 1 April 2019	
Non-current assets	
Right-of-use assets included in:–	
– Property, plant and equipment	608,741
– Investment property	8,527
	617,268

As the right-of-use assets recognised are paid in full by cash and bank loan at the date of acquisition of the leases, no lease liabilities have been recognised at the date of initial application of HKFRS 16 on 1 April 2019.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any re-measurement of lease liability.

For leasehold land and buildings which is held for own use, the Group would continue to account for under HKAS 16 "Property, Plant and Equipment" and measure them at cost and depreciate them over the remaining lease period. For investment property, the Group continues to apply HKAS 40 "Investment Properties" to account for its leasehold properties that were held for investment purposes and measure them at cost less depreciation and impairment. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

The Group has applied the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. In the current year, it has been determinate that there is no identified asset under the arrangement with the sole sale agent contracted with the Group in the current financial year. Accordingly the contract with this sale agent does not fall in the scope of HKFRS 16 and instead, it is accounted for under HKFRS 15 "Revenue with Contract with Customers". In the past, the arrangements with the contracted sale agents met the requirements under HKAS 17 and the income from those contracted sales agencies were recognised as lease income under HKAS 17. There is no financial impact arising as a result of the change.

(v) ***Transition***

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised right-of-use assets at the date of initial application of leases previously classified as operating leases applying HKAS 17. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

For all these right-of-use assets, the Group relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review.

The Group has applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application at 1 April 2019 and accounted for those leases as short-term leases.

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 HKAS 19 – Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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.

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.

(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.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

[3] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2019. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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.

The Group is not yet in a position to state whether these 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 and going concern assumption

The consolidated financial statements are prepared under historical cost convention.

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 incurred loss for the year ended 31 March 2020 of HK$70,818,000 had a net current liabilities of HK$32,056,000 (2019: HK$24,187,000) as at 31 March 2020. Also, the widespread of COVID-19 globally since January 2020 has direct negative impact to the Group's financial performance as the Group's principal activity is operating a hotel in Hong Kong. The travel restrictions imposed by government and authorities of various countries around the world caused the decrease in travelers to Hong Kong. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company prepared a cash flow projection of the Group. In the opinion of the directors, the Group is able to maintain itself as a going concern and have sufficient working capital to finance its operation and to meet its financial obligations when they fall due for at least twelve months from the end of the reporting period after taking into consideration that:

(i) As at 31 March 2020, a related company (the "Lender") advanced a loan amounting to approximately HK$9 million to the Group. Subsequent to the reporting period, a total of approximately HK$81 million of loans with the same borrowing terms (i.e. unsecured, interest-bearing at HIBOR plus 1.4% per annum and repayable on demand) was further advanced from the Lender on 14 April 2020, 13 May 2020 and 3 June 2020. On 19 June 2020, a supplementary loan agreement was entered between the Company and the Lender to change the repayment term from repayable on demand to repayable until the Group obtains banking facilities from financial institutions in Hong Kong that are sufficient to settle the HK$90 million advances from the Lender;

(ii) The Group is currently under application of a revolving loan of HK$100 million. The hotel property, which has been used to secure the existing bank loan will be used as the security for the loan under application. Such revolving loan is expected to be implemented as the external source of fund to the Group for settling the advance from the Lender. As the proportion of the amount of revolving loan under application to the fair value of the hotel property as at 31 March 2020 is less than 13% (less than 15% when taking the existing bank loan into account), the directors of the Company are in the opinion that the application will be successful; and

(iii) The Group has bank loan with carrying amount of approximately HK$11,704,000 (2019: HK$21,364,000) as at 31 March 2020 that is repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreement but classified as current liabilities. Taking into account the Group's financial position and the value of the hotel property pledged for the loan, the directors believe that the bank will not exercise its discretionary rights to demand immediate repayment of the bank loan and the bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

Based on the current economic landscape that the Group is facing, the management of the Group has already taken certain interim measures, including further utilising the operating capacity of the hotel by targeting long stay customers to help relieve the pressure to the Group's cash flow, and will explore into different market segments and different clientele while the situation created by COVID-19 becomes steady, especially once the restrictions on entering Hong Kong and the compulsory health quarantine are released by the Government of Hong Kong Special Administrative Region.

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 within the next twelve months from the end of the reporting period and it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the consolidated financial statements to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets to current assets. No such adjustments were reflected in the consolidated financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company.

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 2020 and 2019, 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 a customer (2019: two customers) with whom transactions have exceeded 10% of the Group's revenue during the year as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**–**	37,267
Customer B	**26,807**	12,906
	26,807	50,173

4. REVENUE AND OTHER INCOME

The Group's revenue represents income from the service provided, including income arising from letting of hotel rooms from both contracted sales agents and 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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales to contracted sales agents/ Hotel room leasing income	**26,807**	50,173
– Hotel room sales to walk-in customers	**13,118**	17,961
– Food and beverage income	**3,225**	3,747
– Miscellaneous sales	**391**	314
	43,541	72,195
Time of revenue recognition		
– Over time/Over the lease term	**39,925**	68,134
– At a point in time	**3,616**	4,061
Total revenue	**43,541**	72,195
Other income		
Bank interest income	**13**	74
Rental income	**–**	482
Sundry income	**215**	20
	228	576
	43,769	72,771

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

	2020	2019
	HK$'000	*HK$'000*
Contract liabilities	**426**	–

Contract liabilities mainly relate to the advance consideration received from walk-in customers for the hotel room sales. During the year ended 31 March 2020, HK$150,000 of the contract liabilities has been recognised as revenue from performance obligation satisfied during the year when the hotel room sales was provided to the customers over time by reference to the progress towards complete satisfaction.

5. FINANCE COSTS

Finance costs comprise the following:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loan *(Note)*	**694**	721
Interest on amount due to a related party	**49**	–
Bank charges	**15**	27
	758	748

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. (LOSS)/PROFIT BEFORE INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
(Loss)/Profit before income tax is arrived at after charging the following:		
Cost of services provided	**24,087**	25,456
Auditor's remuneration	**670**	670
Depreciation of property, plant and equipment	**21,072**	19,605
Depreciation of investment property	**301**	302
Loss on disposal of property, plant and equipment	**1**	4
Staff costs (including directors' emoluments)		
– Salaries and allowances	**28,860**	30,041
– Retirement benefit cost	**1,097**	1,109

7. INCOME TAX CREDIT/(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%. 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%.

For the year ended 31 March 2020, the Group did not elect any corporations in the Group as qualifying corporation and all corporation in the Group are taxed at the rate of 16.5%. Therefore, the applicable tax rate to the Group for the year ended 31 March 2020 is 16.5%.

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

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year		
– At 16.5%	**5**	2,001
– At 8.25%	**–**	165
(Over)/Under provision in prior years	**(170)**	80
	(165)	2,246
Deferred taxation		
Origination and reversal of temporary differences, net	**1,833**	1,121
Effect on tax loss recognised	**(2,862)**	–
	(1,029)	1,121
Income tax (credit)/expense	**(1,194)**	3,367

8. (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:

	2020	2019
	HK$'000	*HK$'000*
(Loss)/Profit for the year attributable to owners of the Company	**(70,661)**	1,267
Number of shares		
Weighted average number of ordinary shares *('000)* for the purpose of basic (loss)/earnings per share	**1,966,387**	1,679,062

No dilutive (loss)/earnings per share is presented as there were no potential ordinary shares in issue during the years ended 31 March 2020 and 2019.

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 2020, additions to property, plant and equipment approximately amounted to HK$716,000 (2019: HK$169,021,000).

10. INVESTMENT PROPERTY

The office property was previously considered as owner-occupied property and recognised as property, plant and equipment as it was utilised as self-use office as at 31 March 2019. The office property became vacant and targeted to be leased out for rental income on 26 March 2020. As such, the office property was reclassified from property, plant and equipment to investment property.

At the end of reporting period, an impairment loss of HK$43,319,000 (2019: nil) was recognised as the commercial properties market in Hong Kong was deteriorated due to the negative impact from the social incidents in Hong Kong and outbreak of COVID-19 during the year ended 31 March 2020.

The fair value of leasehold land is determined at approximately HK$24,700,000 as at 31 March 2020 by independent professional qualified valuer, Knight Frank Petty Limited, which based on the market observable comparable prices of similar properties ranging from HK$79 to HK$319 per sq. feet, and adjusted taking into account mainly location, zoning and permitted land use, accessibility, size and surrounding. The higher the price, the higher the fair value. The fair value is based on observable inputs other than unadjusted quoted price and corroborated by observable market data, and is therefore under level 3 hierarchy.

The fair value of office property is determined at approximately HK$122,000,000 as at 31 March 2020 by independent professional qualified valuer, Knight Frank Petty Limited, which based on the market observable comparable prices of similar properties ranging from HK$64,409 to HK$72,824 per sq. feet, and adjusted taking into account mainly location, size, floor, view and year of completion. The higher the price, the higher the fair value. The fair value is based on observable inputs other than unadjusted quoted price and corroborated by observable market data, and is therefore under level 3 hierarchy.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**8,057**	9,850
Less: Provision for impairment loss	**(6,700)**	(6,512)
	1,357	3,338
Deposits, prepayments and other receivables	**1,564**	1,083
	2,921	4,421

The Group allows an average credit period of one week (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:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**341**	2,588
31 – 60 days	**–**	–
61 – 90 days	**122**	–
Over 90 days	**894**	750
	1,357	3,338

At 31 March 2020, included in the allowance for doubtful debts of HK$6,700,000 (2019: HK$6,512,000) are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than 90 days and the management assessed in the current year that only a portion of the trade receivables are expected to be recovered. Normally, other than those receivables are secured by deposits, the Group does not hold any collateral over these receivables. The movement in the allowance for doubtful debts during the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 April	**6,512**	11,062
Increase/(Decrease) in expected credit losses	**188**	(4,550)
At 31 March	**6,700**	6,512

An impairment analysis was performed at 31 March 2020 and 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 2020	**Within 30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
Expected loss rate *(%)*	**0.00%**	**0.00%**	**0.00%**	**88.22%**	
Gross carrying amount *(HK$'000)*	**341**	**–**	**122**	**7,594**	**8,057**
Expected credit losses *(HK$'000)*	**–**	**–**	**–**	**6,700**	**6,700**

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

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year 31 March 2020 (2019: Nil).

BUSINESS REVIEW

Results

The Group's revenue and (loss)/profit and total comprehensive income for the year from hotel business and other operation were presented as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue	**43,541**	72,195
(Loss)/profit and total comprehensive income for the year	**(70,818)**	1,105
(Loss)/profit and total comprehensive income attributable to owners of the Company	**(70,661)**	1,267

Revenue of the Group for the year ended 31 March 2020 amounted to approximately HK$44 million which solely comprised the turnover generated from the hotel operations, representing a decrease of 39.7% when compared with the turnover of approximately HK$72 million generated in last year.

The Group recorded a loss attributable to owners of the Company of approximately HK$70.66 million for the year ended 31 March 2020, compared with a profit attributable to owners of the Company of approximately HK$1.27 million for the year ended 31 March 2019.

The loss and total comprehensive income in this year was mainly attributable to the social incident in the second half of 2019 which has seriously damaged Hong Kong's inbound tourism industry, together with the outbreak of the COVID-19 coronavirus pandemic which further impacted the hotel business. Both hotel occupancy and the average room rate have declined. In addition, an impairment on office property has been provided to reflect the unfavorable market conditions, which has further negative impact to the financial results of the Group.

Review of Operation

Hotel Business Review

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. Revenue generated from the hotel business was approximately HK$43.5 million for the year under review, and the average occupancy rate was approximately 82% for the year.

The social incident occurring in Hong Kong since June 2019 has seriously damaged Hong Kong's inbound tourism industry and has impacted the Group's hotel room sales. In order to maintain sales and market share, the Group has launched promotional campaigns on hotel room rate since third quarter of Year 2019. The Group could maintain the occupancy with the drop in the room rate in second half of Year 2019.

Since the happening of the social incident, the inbound travelers dropped in second half of Year 2019 from drop of 39.1% in August 2019 to drop of 52.7% in January 2020 compared to same month of previous year. Due to the outbreak of COVID-19 since January 2020, The Government of Hong Kong Special Administrative Region has implemented restrictions on entering Hong Kong and compulsory health quarantine on inbound travelers, total inbound travelers in February 2020 and March 2020 dropped nearly 96.4% and 98.6% respectively compared to same month in Year 2019. The data of the inbound travelers are extracted from the Monthly Report–Visitor Arrival Statistics published by Hong Kong Tourism Board.

Due to the huge drop of inbound travelers, our average occupancy of rate also dropped significantly in first quarter of Year 2020.

Prospects

The hotel industry in Hong Kong will continue to face multiple challenges in the coming year. These challenges include the sustained if not accelerating outbreak of COVID-19 and anticipated slowdown of GDP growth in the global markets, which has and may continue to cause market turbulence and economic uncertainties to the hotel industry.

Once the restriction on entering Hong Kong and the compulsory health quarantine are released and the situation created by COVID-19 becomes steady, we will explore into different market segments and different clientele.

We will commit ourselves to combat the competitive environment by expanding our market networks and stay vigilant and proactive to further business opportunities.

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 2020, the Group's total borrowings, including the bank loan and amount due to a related party amounted to approximately HK$30.5 million compared with approximately HK$30.9 million as at 31 March 2019. The decrease of the Group's total borrowings was due to partial repayment of the bank loan which was offset by advance from a related party.

As at 31 March 2020, cash and bank balances amounted to approximately HK$7.8 million compared with cash and bank balances of approximately HK$30.2 million last year. The Group's net assets as at 31 March 2020 amounted to approximately HK$511.3 million, which decreased from approximately HK$582.1 million as at 31 March 2019, mainly due to impairment on investment property during the year.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 5.96% as at 31 March 2020 compared with approximately 5.31% as at 31 March 2019. 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 4.44% compared with approximately 0.12% last year.

Of the Group's bank loan as at 31 March 2020, approximately HK$9.8 million would be due within one year and approximately HK$11.7 million would be due for repayment after one year which contain a repayable on demand clause. The above bank loan was denominated in HK$ and bear a variable interest rate and secured by the hotel property and the corporate guarantee from the Company. Approximately HK$9 million advanced from a related company of a director and shareholder of the Group (the "Lender") was unsecured and interest bearing at HIBOR plus 1.4% per annum. The Lender has signed a supplemental agreement on 19 June 2020 for not to demand repayment of the advance until the Group obtains banking facilities from banking institutions in Hong Kong that are sufficient to settle the advance from the Lender of HK$90 million, including the advance of HK$81 million to the Group subsequent to 31 March 2020.

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 2020 was approximately HK$511.3 million while there was approximately HK$582.1 million as at 31 March 2019. Total equity attributable to owners of the Company as at 31 March 2020 was approximately HK$513.8 million while there was approximately HK$584.4 million as at 31 March 2019. The decrease in equity was mainly due to the impairment on investment property during the year.

Employee Information and Emolument Policy

As at 31 March 2020, the total number of employees of the Group was 111 (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 comparable market statistics. No director of the Company, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on periodic basis. The Group participates in Mandatory Provident Fund schemes that cover all the eligible employees of the Group.

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$21,453,000 (2019: HK$530,920,000) granted to its subsidiaries. The amount utilised by the subsidiaries amounted to approximately HK$21,453,000 (2019: HK$30,920,000) as at 31 March 2020. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economic benefits.

The Company has not recognised any deferred income in respect of the guarantees as the fair value is insignificant and its transaction price was nil. The Company has not recognised any provision in the Company's financial statements as at 31 March 2020 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.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, at each annual general meeting, one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, and the Chairman and Managing Director shall not be 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 A.4.2 of the CG Code. As the Company must comply with its Bye-laws and that the directors consider that the retirement of no more than one-third of the directors in each annual general meeting can ensure the continuity of the Board which is a key factor to the successful implementation of business plans. The Board also 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 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.

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 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, namely Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lau Shu Kan, all of them are Independent Non-Executive Directors. The chairman of the Audit Committee is Mr. Lau Shu Kan. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee has reviewed with the management and our Group's external auditor the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2020.

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 2020 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 2020 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, 23 June 2020

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.