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 2021

The board of directors (the "Board") of MEXAN LIMITED (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021, together with comparative figures for the corresponding year 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	*4*	**24,490**	43,541
Direct costs		**(13,401)**	(24,087)
Gross profit		**11,089**	19,454
Other income	*4*	**791**	228
Administrative and other operating expenses		**(27,843)**	(26,056)
Depreciation		**(21,602)**	(21,373)
Impairment loss on investment property	*10*	**(4,467)**	(43,319)
Decrease/(Increase) of impairment loss on trade receivables	*11*	**1,140**	(188)
Finance costs	*5*	**(1,666)**	(758)
Loss before income tax	*6*	**(42,558)**	(72,012)
Income tax (expense)/credit	*7*	**(959)**	1,194
Loss and total comprehensive income for the year		**(43,517)**	(70,818)

* *For identification purposes only*

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Loss and total comprehensive income attributable to:			
Owners of the Company		**(43,263)**	(70,661)
Non-controlling interests		**(254)**	(157)
		(43,517)	(70,818)
Loss per share attributable to owners of the Company			
– basic and diluted *(HK cents)*	*8*	**(2.20)**	(3.59)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**409,139**	426,252
Investment property	*10*	**120,585**	128,806
		529,724	555,058
Current assets			
Inventories		**108**	95
Trade and other receivables	*11*	**1,332**	2,921
Amounts due from related parties		**28**	–
Tax recoverable		**25**	1
Cash and bank balances		**26,759**	7,760
		28,252	10,777
Current liabilities			
Other payables, deposits received and accrued charges		**8,643**	5,524
Bank loans	*12*	**61,676**	21,453
Contract liabilities		**796**	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
		77,529	42,833

	Notes	2021 *HK$'000*	2020 *HK$'000*
Net current liabilities		**(49,277)**	(32,056)
Total assets less current liabilities		**480,447**	523,002
Non-current liabilities			
Deferred tax liabilities		**12,704**	11,742
Net assets		**467,743**	511,260
EQUITY			
Share capital		**39,328**	39,328
Reserves		**431,159**	474,422
Equity attributable to owners of the Company		**470,487**	513,750
Non-controlling interests		**(2,744)**	(2,490)
Total equity		**467,743**	511,260

Notes:

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

   (a) **Adoption of new or amended HKFRSs**

   The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

   - Amendments to HKFRS 3, Definition of a Business
   - Amendments to HKAS 1 and HKAS 8, Definition of Material
   - Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform
   - Revised Conceptual Framework for Financial Reporting

   None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendments to HKFRS 16 as listed out below:

   - Amendments to HKFRS 16, COVID-19-Related Rent Concessions (early adopted)
   - Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

   There were no rent concessions granted to the Group for the year ended 31 March 2021, therefore the early adoption of the two Amendments to HKFRS 16 has no impact to the consolidated financial statements.

   (b) **New or amended HKFRSs that have been issued but are not yet effective**

   The following new or amended 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 HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[4]
   - Amendments to HKAS 16, Proceeds before Intended Use[2]
   - Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract[2]

- Amendments to HKFRS 3, Reference to the Conceptual Framework[3]

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2[1]

- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies[4]

- Amendments to HKAS 8, Definition of Accounting Estimates[4]

- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]

- Annual Improvements to HKFRSs 2018-2020[2]

1 *Effective for annual periods beginning on or after 1 January 2021.*
2 *Effective for annual periods beginning on or after 1 January 2022.*
3 *Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.*
4 *Effective for annual periods beginning on or after 1 January 2023.*

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

Amendments to HKAS 1 require material accounting policy information to be disclosed in financial statements rather than significant accounting policies and provide additional guidance in deciding which accounting policies should be disclosed. Amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 12 require entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

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.

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.

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 2021 of HK$43,517,000 and had a net current liabilities of HK$49,277,000 (2020: HK$32,056,000) as at 31 March 2021. 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 and events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company prepared a cash flow projection of the Group covering a period of 18-month from the end of the reporting period. 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 the following into account:

(i) On 23 September 2020, the Group was granted an additional banking facility of revolving loan of HK$100 million by a bank in Hong Kong which was interest-bearing at 1.4% p.a. over Interbank Offered Rate ("IBOR") at a time as determined by the bank. The banking facility including the existing instalment loan and the new revolving loan is secured by the hotel property, a joint and several corporate guarantees provided from the Company and a related company controlled by a director of the Company, and a personal guarantee provided by a director of the Company. As at 31 March 2021 and the date of approval of these consolidated financial statements, HK$50 million of the revolving loan facility and HK$12 million of the instalment loan facility were utilised. Since the proportion of the amount of revolving loan and instalment loan utilised to the fair value of the hotel property as at 31 March 2021 is less than 7% which is significantly below the threshold set out in the banking facility related to the ratio of loan to valuation of the hotel property, the directors are in the opinion that it is unlikely that the Group will breach the loan covenants of this banking facility over the forecast period. There are no other significant terms of covenant in the revolving loan banking facilities; and

(ii) The Group has bank instalment loan with carrying amount of HK$11,613,000 as at 31 March 2021 (2020: HK$21,453,000), of which HK$1,668,000 (2020: HK$11,704,000) was repayable more than one year after the end of the reporting period pursuant to the repayment schedule. As such bank loan contains a repayment on demand clause, the whole instalment loan was classified as current liability. Taking into account the Group's financial position and the value of the hotel property pledged for the loans, the directors believe that the bank will not exercise its discretionary rights to demand immediate repayment of the bank instalment loan and the bank loan is expected to 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 raising the occupancy rate of the hotel by targeting long stay customers to help relieve the Group's liquidity pressure, and will explore into different market segments and different clientele while the situation created by COVID-19 becomes steady, especially once the border restrictions and the compulsory health quarantine are uplifted 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, to reclassify non-current assets to current assets and to reclassify non-current liabilities to current liabilities. 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 2021 and 2020, 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

None of the customers have transactions exceeding 10% of the Group's revenue for the year ended 31 March 2021. Revenue attributable from a customer whom transactions have exceeded 10% of the Group's revenue during the year ended 31 March 2020 as follows::

	2020
	HK$'000
Customer A	26,807

4. REVENUE AND OTHER INCOME

The Group's revenue represents income from the service provided, including income arising from letting of hotel rooms to both contracted and non-contracted sales agents and walk-in customers, food and beverage income, miscellaneous sales and laundry service income, net of discounts.

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

	2021	2020
	HK$'000	*HK$'000*
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales to contracted sales agents	**–**	26,807
– Hotel room sales to non-contracted sales agents and walk-in customers	**21,182**	13,118
– Food and beverage income	**3,178**	3,225
– Miscellaneous sales	**42**	391
– Laundry service income	**88**	–
	24,490	43,541
Time of revenue recognition		
– Over time	**21,270**	39,925
– At a point in time	**3,220**	3,616
Total revenue	**24,490**	43,541
Other income		
Bank interest income	**91**	13
Government grants *(Note)*	**700**	–
Sundry income	**–**	215
	791	228
	25,281	43,769

Note: The Group obtained government grants of HK$700,000 for the year ended 31 March 2021 (2020: nil) from the Government of Hong Kong Special Administrative Region and recognised directly under other income as subsidies for operation of hotel business.

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

	2021	2020
	HK$'000	*HK$'000*
Contract liabilities	**796**	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 2021, HK$14,635,000 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:

	2021	2020
	HK$'000	*HK$'000*
Interest on bank loans *(Note)*	**516**	694
Interest on amount due to a related party	**602**	49
Bank charges	**548**	15
	1,666	758

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

6. LOSS BEFORE INCOME TAX

	2021	2020
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging the following:		
Cost of services provided	**13,401**	24,087
Auditor's remuneration	**700**	670
Depreciation of property, plant and equipment	**17,848**	21,072
Depreciation of investment property	**3,754**	301
Loss on disposal of property, plant and equipment	**2**	1
Staff costs (including directors' emoluments)		
– Salaries and allowances *(Note)*	**17,974**	28,860
– Retirement benefit cost	**929**	1,097

Included in salaries and allowances was an one-off subsidy of HK$5,042,000 granted from Employment Support Scheme under Anti-epidemic Fund of the Hong Kong SAR Government due to the COVID-19 pandemic. The Group is required to spend the subsidy on paying wages to employees and not to implement redundancies during the subsidy period. There were no unfulfilled conditions or obligation relating to these government subsidy.

7. INCOME TAX EXPENSE/(CREDIT)

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

	2021	2020
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year at 16.5% (2020: 16.5%)	**–**	5
Over provision in prior years	**(3)**	(170)
	(3)	(165)
Deferred taxation		
Origination and reversal of temporary differences, net	**962**	1,833
Effect on tax loss recognised	**–**	(2,862)
	962	(1,029)
Income tax expense/(credit)	**959**	(1,194)

8. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(43,263)**	(70,661)
Number of shares		
Weighted average number of ordinary shares *('000)* for the purpose of basic loss per share	**1,966,387**	1,966,387

No dilutive loss per share is presented as there was no potential ordinary shares in issue during the years ended 31 March 2021 and 2020.

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 2021, additions to property, plant and equipment approximately amounted to HK$737,000 (2020: HK$716,000).

10. INVESTMENT PROPERTIES

Investment properties include leasehold land and an office unit in Hong Kong. At the end of reporting period, an impairment loss of HK$4,467,000 (2020: HK$43,319,000) was recognised for investment properties as the commercial properties market in Hong Kong was deteriorated due to the negative impact from the COVID-19 pandemic during the year ended 31 March 2021.

The fair value of the leasehold land as at 31 March 2021 was approximately HK$24,700,000. The fair value was determined by independent professional qualified valuer, Knight Frank Petty Limited, with reference to recent market prices of similar properties as observable input. At the end of reporting period, no impairment of the leasehold land is considered.

The fair value of leasehold land is determined based on the market observable comparable prices of similar properties ranging from HK$115 to HK$299 per sq. feet, and adjusted taking into account factors mainly include 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 the office property as at 31 March 2021 was approximately HK$114,000,000. The fair value was determined by independent professional qualified valuer, Knight Frank Petty Limited, with reference to recent market prices of similar properties as observable input. At the end of reporting period, an impairment loss of HK$4,467,000 was recognised as the commercial properties market in Hong Kong was deteriorated due to the negative impact from the COVID-19 pandemic during the year ended 31 March 2021.

The fair value of office property is determined based on the market observable comparable prices of similar properties ranging from HK$57,957 to HK$70,969 per sq. feet, and adjusted taking into account factors mainly include location, size, floor, view, building condition, layout 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

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**5,892**	8,057
Less: Provision for impairment loss	**(5,560)**	(6,700)
	332	1,357
Deposits, prepayments and other receivables	**1,000**	1,564
	1,332	2,921

The Group allows an average credit period of one week (2020: 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:

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**332**	341
31 – 60 days	**–**	–
61 – 90 days	**–**	122
Over 90 days	**–**	894
	332	1,357

At 31 March 2021, included in the allowance for doubtful debts of HK$5,560,000 (2020: HK$6,700,000) 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:

	2021	2020
	HK$'000	*HK$'000*
At 1 April	**6,700**	6,512
(Decrease)/Increase in expected credit losses	**(1,140)**	188
At 31 March	**5,560**	6,700

An impairment analysis was performed at 31 March 2021 and 2020 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 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 2021	**Within 30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
Expected loss rate *(%)*	**0.00%**	**0.00%**	**0.00%**	**100.00%**	
Gross carrying amount *(HK$'000)*	**332**	**–**	**–**	**5,560**	**5,892**
Expected credit losses *(HK$'000)*	**–**	**–**	**–**	**5,560**	**5,560**

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

12. BANK LOANS

	2021	2020
	HK$'000	*HK$'000*
Secured:		
Bank instalment loan *(Note a)*	**11,613**	21,453
Bank revolving loan *(Note b)*	**50,063**	–
	61,676	21,453

(a) The bank instalment loan is denominated in HK$ and carried at a variable interest rate with reference to HIBOR. At 31 March 2021, effective interest rate of the bank instalment loan was 1.15% (2020: 2.67%) per annum.

(b) On 23 September 2020, the Group has been granted a revolving loan banking facility of HK$100 million by a bank in Hong Kong. The bank revolving loan represents the portion of banking facility utilised and is denominated in HK$, carried variable interest rate with reference to Interbank Offered Rate ("IBOR") as determined by the bank over 1.4%. At 31 March 2021, effective interest rate of the bank revolving loan was 1.62% per annum.

(c) The bank instalment and revolving loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company, the corporate guarantee from a related company controlled by a Director of the Company and personal guarantee from a Director of the Company.

(d) Based on the scheduled repayment dates set out in the loan agreements, the amounts repayable in respect of the loans are as follows:

	2021	2020
	HK$'000	*HK$'000*
Within one year	**60,008**	9,749
More than one year, but not exceeding two years	**1,668**	10,009
More than two years, but not exceeding five years	**–**	1,695
	1,668	11,704
	61,676	21,453
Carrying amount of bank loans for repayments after one year which contain a repayment on demand clause (shown under current liabilities) *(note e)*	**1,668**	11,704

(e) The banking facilities of the instalment loan and revolving loan contain a repayment on demand clause that provides the bank with an unconditional right to demand repayment at any time at its own discretion. Included in the bank instalment loan as at 31 March 2021 was an amount of approximately HK$1,668,000 (2020: HK$11,704,000) that are repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the instalment loan agreement. Due to the repayment on demand clause, such amount of loan was classified as current liability as at 31 March 2021 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.

13. LITIGATIONS

In 2008, Winland Mortgage Limited ("Winland Mortgage"), a wholly-owned subsidiary of the Company, made a loan to an independent third party borrower (the "Borrower") on security of a property (the "Security Property") and subsequently the Borrower defaulted to repay the loan. On 10 July 2009, the Borrower entered into a provisional sale and purchase agreement with an independent third-party purchaser (the "Purchaser") with leasing back of the Security Property to a related company of the Borrower. Rental deposits and first month rental in advance in total of HK$4,550,000 (the "Sum") were deducted from the balance of sale proceeds (paid by the Purchaser in full save and except the Sum) which formed part of the repayment of outstanding debt due to Winland Mortgage. The sale and purchase of the Security Property was completed on 17 December 2009. However, the property was not leased back and the Purchaser refused to return the Sum.

In July 2015, Winland Mortgage commenced in Hong Kong High Court (the "High Court") a legal action (HCA no. 1509 of 2015) against the Purchaser for recovery of the Sum which is considered entitled by the Group as part of the repayment of the outstanding debt due to Winland Mortgage. The full trial for 7 days since 14 October 2020 was processed, and in the opinion of the Group's legal advisors, they are unable to anticipate the likely outcome prior to and during the full trial. On 30 December 2020, the High Court delivered a judgement against Winland Mortgage (the "Judgment") and ordered it to pay 85% of the legal cost incurred by the Purchaser (the "Cost Order"). Provision for its own legal costs is made and included as administrative and other operating expenses and the Group has made assessment on the amount payable under the Cost Order after consultation with the Group legal advisors and has made provision accordingly.

On 26 January 2021, Winland Mortgage filed a Notice of Appeal to the Court of Appeal (CACV no. 26 of 2021) against the Judgement. The Group's legal counsel is currently reviewing the grounds of appeal. Legal costs was either paid or accrued, and included as administrative and other operating expenses to reflect counsel and solicitors' fees incurred in relation to the appeal for the year ended 31 March 2021.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year 31 March 2021 (2020: Nil).

BUSINESS REVIEW

Results

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

	2021	2020
	HK$'000	*HK$'000*
Revenue	**24,490**	43,541
Loss and total comprehensive income for the year	**(43,517)**	(70,818)
Loss and total comprehensive income attributable to owners of the Company	**(43,263)**	(70,661)

Revenue of the Group for the year ended 31 March 2021 amounted to approximately HK$24.5 million which solely comprised the turnover generated from the hotel operations, representing a decrease of 43.8% when compared with the turnover of approximately HK$43.5 million generated in last year.

The drop in revenue was attributable to the spread of the COVID-19 coronavirus pandemic throughout the financial year of the Group. The visitor's arrival rate to Hong Kong dropped by over 99% in this year compared to corresponding period last year. The Group has changed the customer base from overseas visitors to long-staying guests. Inevitably, both hotel occupancy and the average room rate declined compared to same period last year.

The Group recorded a loss attributable to owners of the Company of approximately HK$43.3 million for the year ended 31 March 2021, compared with a loss attributable to owners of the Company of approximately HK$70.7 million for the year ended 31 March 2020.

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$24.5 million for the year under review, and the average hotel occupancy rate was approximately 49.2% for the year.

The COVID-19 pandemic, with the substantial travel restrictions as a result, reduced or even shut down air travel; and the relevant containment measures has seriously damaged wide range of businesses and the global economy. The hotel industry in Hong Kong was inevitably hard hit. According to the Monthly Report – Visitors Arrivals Statistics published by Hong Kong Tourism Board, the total visitors' arrivals to Hong Kong for the period from April 2020 to March 2021 was 96,203 (4/2019 – 3/2020: approximately 41.17 million), representing a decrease of 99.77%.

Due to almost vanish of the inbound travelers, most of the hotel operators in Hong Kong has shifted their customers from overseas or PRC visitors to domestic staycation and long-staying guests. The Group has also focused its attention to long-staying guests since the social unrest occurred in middle of Year 2019, and has gradually built up occupancy to a higher level. However, there remained a significant drop in the average room rate compared with past years.

Analysis of Results

The loss and total comprehensive income attributable to owners of the Company was reduced from approximately HK$70.7 million for last year to approximately HK$43.3 million this year. The Group has recorded impairment loss on investment property of approximately HK$4.5 million in this year compared to approximately HK$43.3 million for last year. The Group has received various subsidies from the Anti-epidemic Fund from the Government of the HKSAR amounted to approximately HK$5.7 million during the year under review. Besides, the Group has further reduced the direct cost and administrative and other operating expenses by approximately HK$9.1 million from last year. Notwithstanding the aforesaid subsidies and cost reduction, there were increase in administrative and other operating expenses as the Group has recorded legal expenses of approximately HK$5.9 million (comprises its own incurred costs on trial and appeal and provision for 85% of the opposing party's legal costs) arising from a judgment made against a subsidiary of the Company in relation to a legal action taken out by that subsidiary in 2015 to recover outstanding loan extended by that subsidiary and the realization of the related security. Details of the loan and reasons and benefit of the loan transaction were disclosed in the announcement of the Company on 11 August 2008.

Prospects

The business environment continues to be highly challenging in the coming year. With the COVID-19 still widespread in many countries, inadequate supply of vaccines, different pace of vaccination among the countries, continuous mutation of the virus itself, etc. has led to more uncertainty in the business environment.

Devastated by the continuous spread of COVID-19, it may take quite a long time for cross-border travel to be fully resumed to previous level. It is hoped that the “travel bubble’ under discussion between the Government of the HKSAR with nearby cities could be rolled out with efficacy, and coupled with the gradual relaxation of cross-border quarantine measures; overseas and Mainland China visitors arriving to Hong Kong will be accelerated.

Looking into year ahead, it may be another difficult year. The Group will continue to implement strict cost controls and stay proactive to any business opportunities.

Liquidity and Financial Information

During the year under review, cash flow of the Group was mainly generated from the hotel operations and bank borrowings. As at 31 March 2021, the Group’s total borrowings, including the bank loan and amount due to a related party amounted to approximately HK$61.7 million compared with approximately HK$30.5 million as at 31 March 2020. The increase of the Group’s total borrowings was mainly used for repayment of advance from a related party and for operations.

As at 31 March 2021, cash and bank balances amounted to approximately HK$26.8 million compared with cash and bank balances of approximately HK$7.8 million last year. The Group’s net assets as at 31 March 2021 amounted to approximately HK$467.7 million, which decreased from approximately HK$511.3 million as at 31 March 2020, mainly due to depreciation and impairment loss on investment property and increase in bank borrowings recorded for the year.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 13.19% as at 31 March 2021 compared with approximately 5.96% as at 31 March 2020. 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 7.46% compared with approximately 4.44% last year.

Of the Group's bank loans as at 31 March 2021, approximately HK$60.0 million would be due within one year and approximately HK$1.7 million would be due for repayment after one year which contain a repayable on demand clause. The above bank loan was denominated in HK$ and bear a variable interest rate and secured by the hotel property, a joint and several corporate guarantee provided from the Company and a related Company controlled by a director of the Company, and a personal guarantee provided by a director of 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 2021 was approximately HK$467.7 million while there was approximately HK$511.3 million as at 31 March 2020. Total equity attributable to owners of the Company as at 31 March 2021 was approximately HK$470.5 million while there was approximately HK$513.8 million as at 31 March 2020. The decrease in equity was mainly due to the loss recorded for the year.

Employee Information and Emolument Policy

As at 31 March 2021, the total number of employees of the Group was 112 (2020: 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$61,676,000 (2020: HK$21,453,000) granted to its subsidiaries. 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 2021 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 4 September 2020 as he had other business engagement.

CHANGE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this Report, there is no change in the information of the Directors required to be disclosed pursuant to Rule13.51B(1) of the Listing Rules since the Company's last published annual report except the following:

Mr. Ng Hung Sui Kenneth ("Mr. Ng"), an independent non-executive director of the Company, from 12 July 2020, has ceased to be an Independent non-executive director of Samson Paper Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange. Mr. Ng has ceased to be the Chairman of Criminal Law & Procedure Committee of the Law Society in January 2021 but remains as a member.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 4 September 2020, the Company amended the existing bye-laws by way of adoption of new bye-laws in substitution for and to the exclusion of the existing Bye-laws. The purpose of the adoption of the new bye-laws is to provide flexibility to the conduct of general meetings and to reflect amendments to the Listing Rules and laws of Bermuda and for certain housekeeping amendments. Further details of such amendments are disclosed in the Announcement of the Company on 30 July 2020 and the Circulars of the Company on 31 July 2020.

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 2021 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 2021.

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 2021 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 2021 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 2021

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.