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 2022

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 2022, together with comparative figures for the corresponding year 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**27,515**	24,490
Direct costs		**(18,856)**	(13,401)
Gross profit		**8,659**	11,089
Other income	*4*	**300**	791
Administrative and other operating expenses		**(24,735)**	(27,843)
Depreciation		**(21,718)**	(21,602)
Impairment loss on investment property	*10*	**(4,600)**	(4,467)
Reversal of impairment loss on trade receivables	*11*	**1,010**	1,140
Finance costs	*5*	**(1,337)**	(1,666)

* *For identification purposes only*

	Notes	2022 HK$'000	2021 HK$'000
Loss before income tax	6	**(42,421)**	(42,558)
Income tax expense	7	**(2,182)**	(959)
Loss and total comprehensive income for the year		**(44,603)**	(43,517)
Loss and total comprehensive income attributable to:			
Owners of the Company		**(44,406)**	(43,263)
Non-controlling interests		**(197)**	(254)
		(44,603)	(43,517)
Loss per share attributable to owners of the Company			
– basic and diluted *(HK cents)*	8	**(2.26)**	(2.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**400,015**	409,139
Investment property	*10*	**112,363**	120,585
		512,378	529,724
Current assets			
Inventories		**122**	108
Trade and other receivables	*11*	**2,327**	1,332
Amounts due from related parties		**–**	28
Tax recoverable		**–**	25
Cash and bank balances		**21,382**	26,759
		23,831	28,252
Current liabilities			
Other payables, deposits received and accrued charges		**8,993**	8,643
Bank loans	*12*	**81,740**	61,676
Contract liabilities		**1,044**	796
Amount due to a non-controlling shareholder of a subsidiary		**6,414**	6,414
		98,191	77,529
Net current liabilities		**(74,360)**	(49,277)

	2022	2021
	HK$'000	*HK$'000*
Total assets less current liabilities	**438,018**	480,447
Non-current liabilities		
Deferred tax liabilities	**14,878**	12,704
Net assets	**423,140**	467,743
EQUITY		
Share capital	**39,328**	39,328
Reserves	**386,753**	431,159
Equity attributable to owners of the Company	**426,081**	470,487
Non-controlling interests	**(2,941)**	(2,744)
Total equity	**423,140**	467,743

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

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.

(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)[3]
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies[3]
- Amendments to HKAS 8, Definition of Accounting Estimates[3]
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
- Amendments to HKAS 16, Proceeds before Intended Use[1]
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract[1]
- Amendments to HKFRS 3, Reference to the Conceptual Framework[2]
- Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

- Annual Improvements to HKFRSs 2018-2020 Cycle, Amendment to HKFRS 9, Financial Instruments[1]

- Annual Improvements to HKFRSs 2018-2020 Cycle, Amendment to illustrative examples accompanying HKFRS 16, Lease[1]

1 *Effective for annual periods beginning on or after 1 January 2022*
2 *Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual periods beginning on or after 1 January 2022*
3 *Effective for annual periods beginning on or after 1 January 2023*
4 *The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined*

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.

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

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

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

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/decommissioning liabilities.

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, are recognised in profit or loss.

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).

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) Interpretation 21, Levies, the acquirer applies HK (IFRIC) Interpretation 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.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the re-measurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- 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.

The directors of the Company do not anticipate that the application of the above amendments in the future will have a material impact on the consolidated 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.

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 2022 of HK$44,603,000 had a net current liabilities of HK$74,360,000 as at 31 March 2022. 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) As the date of approval of these consolidated financial statements, the Group had unutilized banking facility of HK$20 million out of the HK$100 million as disclosed in note 12(b). Since the proportion of the amount of revolving loan utilised to the fair value of the hotel property is significantly below the specified Loan-To-Valuation Ratio in the relevant loan agreement, the directors are in the opinion that it is unlikely that the Group will breach this loan covenant over the forecast period.

(ii) On 13 June 2022, a related company (the "Lender"), which is wholly owned by a director and the substantial shareholder of the Company, advanced a loan amounting to approximately HK$75 million to the Group, which is unsecured, interest-bearing at HIBOR plus 1.4% per annum and repayable in 2 years or until the Group obtains additional or new banking facilities from financial institutions in Hong Kong that are sufficient to settle the HK$75 million advance from the Lender. The loan is subject to renegotiation near the end of the term.

(iii) The Group is endeavouring to seek additional sources of financing.

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 clienteles.

Notwithstanding that there is inherent uncertainty associated with the future effect of the COVID-19 and any related travel and quarantine measures imposed by the relevant authorities, the directors, based on the above plans and measures, are satisfied that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements for not less than 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. The effect of these adjustments has not been 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 2022 and 2021, 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

There was no single customer that contributed to 10% or more of the Group's revenue for the year ended 31 March 2022 and 2021.

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:

	2022	2021
	HK$'000	*HK$'000*
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales to non-contracted sales agents and walk-in customers	**22,911**	21,182
– Food and beverage income	**4,279**	3,178
– Miscellaneous sales	**22**	42
– Laundry service income	**303**	88
	27,515	24,490
Time of revenue recognition		
– Over time	**23,214**	21,270
– At a point in time	**4,301**	3,220
Total revenue	**27,515**	24,490
Other income		
Bank interest income	**–**	91
Government grants *(Note)*	**300**	700
	300	791
	27,815	25,281

Note: The Group obtained government grants of HK$300,000 for the year ended 31 March 2022 (2021: HK$700,000) 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.

	2022	2021
	HK$'000	*HK$'000*
Contract liabilities	**1,044**	796

Contract liabilities mainly relate to the advance consideration received from walk-in customers for the hotel room sales. During the year ended 31 March 2022, HK$14,779,000 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:

	2022	2021
	HK$'000	*HK$'000*
Interest on bank loans *(Note)*	**932**	516
Interest on amount due to a related party	**–**	602
Bank charges	**405**	548
	1,337	1,666

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

	2022	2021
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging the following:		
Cost of services provided	**18,856**	13,401
Auditor's remuneration	**750**	700
Depreciation of property, plant and equipment	**18,096**	17,848
Depreciation of investment property	**3,622**	3,754
Loss on disposal of property, plant and equipment	**1**	2
Staff costs (including directors' emoluments)		
– Salaries and allowances	**23,822**	17,974
– Retirement benefit cost	**957**	929

7. INCOME TAX EXPENSE

(a) The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2022	2021
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year		
– At 16.5%	**8**	–
Over provision in prior years	**–**	(3)
	8	(3)
Deferred taxation		
Origination and reversal of temporary differences, net	**2,174**	962
	2,174	962
Income tax expense	**2,182**	959

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:

	2022	2021
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(44,406)**	(43,263)
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 2022 and 2021.

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 2022, additions to property, plant and equipment approximately amounted to HK$8,973,000 (2021: HK$737,000).

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$4,600,000 (2021: HK$4,467,000) 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 2022.

The fair value of the leasehold land as at 31 March 2022 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$99 to HK$301 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 2022 was approximately HK$106,000,000. 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. The recoverable amount was based on the fair value less cost of disposal, which amounted to approximately HK$104,739,000. At the end of reporting period, an impairment loss of HK$4,600,000 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 2022.

The fair value of office property is determined based on the market observable comparable prices of similar properties ranging from HK$52,567 to HK$57,016 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

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**4,712**	5,892
Less: Provision for impairment loss	**(4,550)**	(5,560)
	162	332
Deposits, prepayments and other receivables	**2,165**	1,000
	2,327	1,332

The Group allows an average credit period of one week (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**162**	332

At 31 March 2022, included in the allowance for doubtful debts of HK$4,550,000 (2021: HK$5,560,000) 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:

	2022	2021
	HK$'000	*HK$'000*
At 1 April	**5,560**	6,700
Decrease in expected credit losses	**(1,010)**	(1,140)
At 31 March	**4,550**	5,560

An impairment analysis was performed at 31 March 2022 and 2021 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 2022	**Within 30 days**	**Over 90 days**	**Total**
Expected loss rate *(%)*	**0.00%**	**100.00%**	
Gross carrying amount *(HK$'000)*	**162**	**4,550**	**4,712**
Expected credit losses *(HK$'000)*	**–**	**4,550**	**4,550**

31 March 2021	Within 30 days	Over 90 days	Total
Expected loss rate *(%)*	0.00%	100.00%	
Gross carrying amount *(HK$'000)*	332	5,560	5,892
Expected credit losses *(HK$'000)*	–	5,560	5,560

12. BANK LOANS

	2022	2021
	HK$'000	*HK$'000*
Secured:		
Bank instalment loan *(Note a)*	**1,665**	11,613
Bank revolving loan *(Note b)*	**80,075**	50,063
	81,740	61,676

(a) The bank instalment loan is denominated in HK$ and carried at a variable interest rate with reference to HIBOR. At 31 March 2022, effective interest rate of the bank instalment loan was 0.76% (2021: 1.15%) 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 2022, effective interest rate of the bank revolving loan was 1.54% per annum (2021: 1.62%).

(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:

	2022	2021
	HK$'000	*HK$'000*
On demand or within one year	**81,740**	60,008
More than one year, but not exceeding two years	**–**	1,668
	81,740	61,676
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

(e) Bank instalment loan with carrying amount is nil (2021: HK$1,668,000) as at 31 March 2022 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, with repayment on demand clause, has been classified as current liability as at 31 March 2022 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 which formed part of the redemption money. The sale and purchase of the Security Property was completed on 17 December 2009 without lease back but 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. 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 to reflect its obligations under the Cost Order.

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 will proceed to set down the appeal for hearing in due course after the Purchaser's response and reply. 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 2022.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year 31 March 2022 (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
Revenue	**27,515**	24,490
Loss and total comprehensive income for the year	**(44,603)**	(43,517)
Loss and total comprehensive income attributable to owners of the Company	**(44,406)**	(43,263)

Revenue of the Group for the year ended 31 March 2022 amounted to approximately HK$27.5 million which solely comprised the turnover generated from the hotel operations, representing a slight increase of 12.4% when compared with the turnover of approximately HK$24.5 million generated in last year.

The customer base of the hotel operations mainly derives from long-staying guests since last year, with slight improvement in both the hotel occupancy and average room rate; and revenue of the Group is being maintained at similar level as last year.

The Group recorded a loss attributable to owners of the Company of approximately HK$44.4 million for the year ended 31 March 2022, compared with a loss attributable to owners of the Company of approximately HK$43.3 million for the year ended 31 March 2021.

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$27.5 million for the year under review, and the average hotel occupancy rate was approximately 50.8% for the year.

Since the middle of Year 2019, the Group has shifted their customers base from overseas or PRC visitors to domestic long-staying guests and has built up occupancy to a relatively high level. Since August 2021, Winland 800 Hotel has started the replacement of air-conditioners in all 800 guest rooms, and the hotel room occupancy dropped as a result. The whole refurbishment work is scheduled to be completed by July 2022 and it is expected that the occupancy will then be picked up gradually.

Analysis of Results

The loss and total comprehensive income attributable to owners of the Company was approximately HK$44.4 million for current year while it was approximately HK$43.3 million for last year. The Group has recorded impairment loss on investment property of approximately HK$4.6 million in this year compared to approximately HK$4.5 million for last year. The Group has received subsidies from the Anti-epidemic Fund from the Government of the HKSAR amounted to approximately HK$0.3 million in this year while the amount received for last year was HK$5.7 million. In last year, the Group has recorded legal expenses of approximately HK$5.9 million related to 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.

Prospects

The COVID-19 pandemic and the closure of borders have inhibited both international and PRC tourisists and travelers from visiting Hong Kong which continue to adversely affect our businesses. In Mainland China, the continuous outbreak of the highly infectious pandemic led to substantial travel restrictions and lockdowns in various provinces. In Hong Kong, the HKSAR Government actions to quarantine the COVID-19 pandemic reduced both international and domestic travel since last year, and that the Group was still significantly hard hit by the COVID-19 pandemic.

Looking forward, with global growth of the vaccinated population and the gradual relaxation of travel barriers, it is hoped that the hotel and tourist industry will recover rapidly once the quarantine measures are eased. On the flip side, the Group will continue to adopt any measures to control costs and expenditure.

The Group has been actively seeking for potential investment opportunities which will enable the Group to expand its business portfolio and diversify its revenue sources to enhance return to the Shareholders especially in view of the drop in revenue from its hotel business attributable to the spread of COVID-19 coronavirus pandemic in recent years. In April this year, the Group has completed acquisition of 51% equity in a company whose principal businesses are the supply of furniture and building materials and the provision of the design and fit-out construction service.

The acquisition is considered by the Board to be a good opportunity to broaden the business portfolio and improve our business. Our directors are optimistic about the long-term prospect of the trade in building materials, and the design and fit-out construction service industry in Hong Kong and hope that the acquisition will take the business of the Group to a new level.

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 2022, the Group's total borrowings, including the bank loan and amount due to a related company amounted to approximately HK$81.7 million compared with approximately HK$61.7 million as at 31 March 2021. The increase of the Group's total borrowings was mainly used for operations.

As at 31 March 2022, cash and bank balances amounted to approximately HK$21.4 million compared with cash and bank balances of approximately HK$26.8 million last year. The Group's net assets as at 31 March 2022 amounted to approximately HK$423.1 million, which decreased from approximately HK$467.7 million as at 31 March 2021, 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 19.32% as at 31 March 2022 compared with approximately 13.19% as at 31 March 2021. 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 14.26% compared with approximately 7.46% last year.

Of the Group's bank loan as at 31 March 2022, approximately HK$81.7 million would be due within one year. The above bank loan was denominated in HK$ 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 2022 was approximately HK$423.1 million while there was approximately HK$467.7 million as at 31 March 2021. Total equity attributable to owners of the Company as at 31 March 2022 was approximately HK$426.1 million while there was approximately HK$470.5 million as at 31 March 2021. The decrease in equity was mainly due to the loss recorded for the year.

Employee Information and Emolument Policy

As at 31 March 2022, the total number of employees of the Group was 105 (2021: 112). 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 financial guarantee to a bank for the banking facilities of an aggregate amount of approximately HK$101,665,000 (2021: HK$111,613,000) granted to its subsidiaries. The amount utilised by the subsidiaries amount to approximately HK$81,740,000 (2021: HK$61,676,000) as at 31 March 2022. The directors of the Company are of the view that such obligation will not cause an outflow of resources embodying economics benefits.

The Company has not recognised any deferred income in respect of the guarantees as the fair value is insignificant and its transaction price was nil. The Company had not recognisied any provision in the Company's financial statement as at 31 March 2022 as the directors considered that the probability for the holder of the guarantees to call upon the Company as a result of default in the repayment is remote.

Capital Commitments

As at 31 March 2022, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately HK$3.04 million (2021: Nil), for acquisition of property, plant and equipment.

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 C.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 C.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 B.2.2 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 B.2.2 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.

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.

CONSTITUTIONAL DOCUMENTS

There was no significant change in the memorandum and articles of association of the Company during the year.

The memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange of Hong Kong.

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

On 9 March 2022, Winland Building Materials Limited, a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Result Best Limited in relation to the acquisition of the Sale Share of Winland Firmstone Limited (the "Winland Firmstone"), (representing the entire issued share capital of Winland Firmstone) and the Sale Loan of Winland Firmstone (representing all sums and liabilities owing to Result Best Limited) in two tranches. The Tranche 1 is to acquire 51%, and the Tranche 2 is to acquire the remaining 49%. The total consideration of 2 tranches would not exceed HK$33.4 million. Details of the acquisition were disclosed on the announcement of the Company on 9 March 2022. Subsequently, the Tranche 1 completion took place on 8 April 2022 in accordance with the Sale and Purchase Agreement. Details of the completion were disclosed in the announcement of the Company on 8 April 2022.

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 2022.

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 2022 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 2022 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, 22 June 2022

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.