MEXAN LIMITED

茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

Annual Report 2022

This annual report, in both English and Chinese versions, is available on the Company's website at www.mexanhk.com (The "Company Website").

Shareholders who have chosen or have been deemed consent to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the annual report posted on the Company Website will promptly upon request be sent the annual report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive the annual report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022) or by sending an email to the Hong Kong Branch Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Lun Yiu Kay Edwin (Chairman)
Ng Tze Ho Joseph

Independent Non-Executive Directors:

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lau Shu Kan

COMPANY SECRETARY

Tang Sik Ho

PRINCIPAL BANKERS

Dah Sing Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Winland 800 Hotel
Hotel 2, Rambler Crest
No. 1 Tsing Yi Road
Tsing Yi
New Territories
Hong Kong

PRINCIPAL REGISTRARS

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton
HM 11
Bermuda

BRANCH REGISTRARS IN HONG KONG

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.mexanhk.com

STOCK CODE

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CHAIRMAN'S STATEMENT

I present the results of MEXAN LIMITED (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2022.

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 **HK$'000**	2021 HK$'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.

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.

CHAIRMAN'S STATEMENT

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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our sincere appreciation to our shareholders, professional advisers, bankers and customers for their continuous support and trust. I would also like to thank the management and staff for their consecutive dedication and commitment.

Lun Yiu Kay Edwin
Chairman
Hong Kong, 22 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

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.

LIQUIDITY AND FINANCIAL INFORMATION – CONTINUED

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 a 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 utilized 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 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 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 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.

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of MEXAN LIMITED is committed to maintain a high standard of corporate governance. The Board believes that a good, solid and sensible framework of corporate governance will enhance the Company and its subsidiaries to run its business in the best interest of its shareholders as a whole.

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.

CORPORATE GOVERNANCE REPORT

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.

BOARD OF DIRECTORS

The directors during the year ended 31 March 2022 and up to the date of this report were:

Executive Directors

Mr. Lun Yiu Kay Edwin
Mr. Ng Tze Ho Joseph

Independent Non-Executive Directors

Dr. Tse Kwing Chuen
Mr. Ng Hung Sui Kenneth
Mr. Lau Shu Kan

As at the date of this report, the Board comprised five directors, two of whom are Executive Directors (including the Chairman of the Board) and three of whom are Independent Non-Executive Directors. Details of backgrounds and qualifications of each director are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Company has arranged appropriate insurance cover in respect of legal actions against the directors.

The Board is responsible for the leadership and control of the Company and collectively responsible for promoting the success of the Company and supervising the Company's affairs. It also monitors overall strategic development of the Group, financial performance and the internal controls of the Group's business operations. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The day-to-day running of the Company is delegated to the management with department heads responsible for different aspects of the business/functions.

Independent Non-Executive Directors serve the relevant function of bringing independent judgement on issues of strategy, policy, development, performance and risk management of the Group through their contributions in Board meetings. The Board considers that each Independent Non-Executive Director of the Company is independent in character and judgement. The Company has received from each Independent Non-Executive Director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

BOARD OF DIRECTORS – CONTINUED

The Board meets at least four times each year to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all directors for all regular Board meetings to give all directors an opportunity to attend. All regular Board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information that enables the Board to make an informed decision on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director.

For the year ended 31 March 2022, other than resolutions passed by means of resolutions in writing of Directors, the Board held 11 meetings. The following table shows the attendance records of individual Director at the meetings of the Board held for the year ended 31 March 2022:

Directors' Attendance

	Number of Board Meetings held during the Director's term of office during the year ended 31 March 2022	Number of meeting(s) attended
Executive Directors		
Mr. Lun Yiu Kay Edwin (Chairman)	11	11
Mr. Ng Tze Ho Joseph	11	11
Independent Non-Executive Directors		
Dr. Tse Kwing Chuen	11	11
Mr. Ng Hung Sui Kenneth	11	11
Mr. Lau Shu Kan	11	11

BOARD OF DIRECTORS – CONTINUED

Training and Support for Directors

The Company recognises the importance of keeping the directors updated with latest information of duties and obligations of a director of a company which shares are listed on The Stock Exchange of Hong Kong Limited and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. The Company would also provide regular updates in relation to the latest developments regarding Listing Rules and other applicable regulations.

During the year ended 31 March 2022, the directors participated in the following types of continuous professional development:

Name of Directors	Type of continuous professional development
Mr. Lun Yiu Kay Edwin	A, B
Mr. Ng Tze Ho Joseph	A, B
Mr. Lau Shu Kan	A, B
Mr. Ng Hung Sui Kenneth	A, B
Dr. Tse Kwing Chuen	A, B

A: attending business meetings relating to the directors of listed companies
B: reading guidance notes and updates relating to regulatory requirements for listed companies and obligations as directors

Directors' Liability Insurance

The Company has in place an appropriate directors' and officers' liability insurance policy for each member of the Board to cover their liabilities on damages arising out of corporate activities. The coverage and the sum insured under the policy are reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The term of office of each present independent non-executive director is for a period of 2 years from 19 April 2022 to 18 April 2024, subject to retirement by rotation in accordance with the Bye-laws of the Company.

EXECUTIVE COMMITTEE

The Executive Committee was established with specific written terms of reference. The functions of the Executive Committee include dealing with all financial, commercial, business, legal, management and administration issues of the Company. The Executive Committee comprises two executive directors, Mr. Lun Yiu Kay Edwin and Mr. Ng Tze Ho Joseph. Mr. Lun Yiu Kay Edwin is the chairman of the Executive Committee.

During the year, two Executive Committee meetings were held and the individual attendance of each member is set out below:

Name of Members	Number of Executive Committee meetings held during member's term of office during the year ended 31 March 2022	Number of meeting(s) attended
Mr. Lun Yiu Kay Edwin (Chairman)	2	2
Mr. Ng Tze Ho Joseph	2	2

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference. In line with its terms of reference approved by the Board, the role and function of the Remuneration Committee is to review, discuss and approve the remuneration mechanism of the directors and senior management of the Company and to establish and maintain a reasonable and competitive remuneration level in order to attract and retain the directors and senior management. The Remuneration Committee comprises four members, including Mr. Lun Yiu Kay Edwin and three Independent Non-Executive Directors, Mr. Ng Hung Sui Kenneth, Dr. Tse Kwing Chuen and Mr. Lau Shu Kan. The chairman of Remuneration Committee is Mr. Lau Shu Kan.

REMUNERATION COMMITTEE – CONTINUED

The major roles and functions of the Remuneration Committee are:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Company and its subsidiaries and the desirability of performance-based remuneration. The Remuneration Committee shall also ensure that the levels of remuneration should be sufficient to attract and retain the directors needed to run the Company successfully but should avoid paying more than is necessary for this purpose;

(c) to make recommendation to the Board on the Directors' fees and the fees for members of each committee of the Board;

(d) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(e) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(f) to ensure that no director or any of his associates is involved in deciding his own remuneration; and

(g) to advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval in accordance with the Listing Rules.

REMUNERATION COMMITTEE – CONTINUED

During the year, two Remuneration Committee meetings were held and the individual attendance of each member is set out below:

Name of Members	Number of Remuneration Committee meetings held during member's term of office during the year ended 31 March 2022	Number of meeting(s) attended
Mr. Lau Shu Kan (Chairman)	2	2
Mr. Lun Yiu Kay Edwin	2	2
Mr. Ng Hung Sui Kenneth	2	2
Dr. Tse Kwing Chuen	2	2

During the meeting, the Remuneration Committee discussed and determined the director's fee for individual director. The emoluments of the directors are based on their respective responsibilities and their involvement in the Group's affairs and are determined by reference to the Group's business condition and the prevailing market practice. A director is not allowed to approve his/her remuneration.

To comply with the code provision E.1.3 of the CG Code, the terms of reference of the Remuneration Committee are included on the Company's website and also available on request.

AUDIT COMMITTEE

The Audit Committee was established in March 1999 with specific written terms of reference and comprised three members, all of them are Independent Non-Executive Directors. The Audit Committee comprises three members, including Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lau Shu Kan. The chairman of the Audit Committee is Mr. Lau Shu Kan. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

AUDIT COMMITTEE – CONTINUED

The major roles and functions of the Audit Committee are:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policies regarding the engagement of an external auditor to supply non-audit services. For this purpose, an external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(d) to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee should focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgemental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

AUDIT COMMITTEE – CONTINUED

(e) in relation to paragraph (d) above: (i) members of the committee must liaise with the Company's board of directors and senior management and the committee must meet, at least twice a year, with the Company's auditors; and (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, internal control and risk management systems;

(g) to discuss with management the system of risk management and internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;

(h) to consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response;

(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(j) to review the Group's financial and accounting policies and practices;

(k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters set out in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules);

(n) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

AUDIT COMMITTEE – CONTINUED

(o) to act as the key representative body for overseeing the Company's relationship with the external auditor;

(p) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and

(q) to consider such other matters as the Board may from time to time determine.

During the year, three Audit Committee meetings were held, one of which was attended by the external auditor, BDO Limited. The individual attendance of each member is set out below:

Name of Members	Number of Audit Committee meetings held during the member's term of office during the year ended 31 March 2022	Number of meetings attended
Mr. Lau Shu Kan (Chairman)	3	3
Mr. Ng Hung Sui Kenneth	3	2
Dr. Tse Kwing Chuen	3	3

Summary of work done for the year ended 31 March 2022:–

- review of final results and draft audited financial statements for the year ended 31 March 2022;
- review of interim results and draft unaudited consolidated financial statements for the six months ended 30 September 2021; and
- consider and approve of the re-appointment of auditors.

The Audit Committee and BDO Limited have also reviewed with management the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2022.

To comply with the code provision D.3.4 of the CG Code, the terms of reference of the Audit Committee are included on the Company's website and also available on request.

NOMINATION COMMITTEE

The Nomination Committee was established in April 2012 with specific written terms of reference. The Nomination Committee comprises three members, including Mr. Lun Yiu Kay Edwin, Dr. Tse Kwing Chuen and Mr. Lau Shu Kan. The chairman of the Nomination Committee is Mr. Lun Yiu Kay Edwin.

The major roles and functions of the Nomination Committee are:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

(c) to identify individuals who are qualified/suitable to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) to assess the independence of independent non-executive directors and determine their eligibility; and their suitability and independence for serving more than 9 years;

(e) to make recommendations to the Board on matters relating to the appointment, removal or reappointment of directors and succession planning for directors, in particular, the chairman; and

(f) to review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval.

During the year, one meeting was held by the Nomination Committee and the individual attendance of each member is set out below:

Name of Members	**Number of Nomination Committee meetings held during the member's term of office during the year ended 31 March 2022**	**Number of meetings attended**
Mr. Lun Yiu Kay Edwin (Chairman)	1	1
Mr. Lau Shu Kan	1	1
Dr. Tse Kwing Chuen	1	1

NOMINATION COMMITTEE – CONTINUED

Summary of work done for the year ended 31 March 2022:

- reviewed the structure, composition of the Board and the Board diversity policy; and
- made recommendation on the re-appointment of the retiring directors and assessment of the independence of independent non-executive directors.

SUMMARY OF BOARD DIVERSITY POLICY

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, consideration has been made from a number of aspects, such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of Board members will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy periodically. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee comprises two independent non-executive Director and one executive Director. The Company Secretary acts as the secretary to the Nomination Committee. As at 31 March 2022, the members of the Nomination Committee were Dr. Tse Kwing Chuen, Mr. Lau Shu Kan and Mr. Lun Yiu Kay Edwin. The Nomination Committee held one meeting during the year ended 31 March 2022, whereby the members of the Nomination Committee discussed and made recommendation to the Board on the re-election of retiring Directors and re-appointment of Directors, reviewed the size, structure, composition and diversity of the Board, assessed the independence of independent non-executive Directors and discussed the roles of the Chairman and the Managing Director.

AUDITORS' REMUNERATION

BDO Limited is the auditor of the Company. During the year ended 31 March 2022, the fees charged to the financial statements of the Company and its subsidiaries for statutory audit amounted to HK$750,000.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledged their responsibilities for the preparation of the consolidated financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant period. In preparing the consolidated financial statements for the year ended 31 March 2022, the directors ensured that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgements and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The directors are also responsible for the timely publication of the consolidated financial statements of the Group.

The statement of the auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" section of this annual report.

The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE COMMUNICATION

The Company established a shareholders' communication policy and shall review it on a periodic basis to ensure its effectiveness.

The Company communicates with the Shareholders mainly in the following ways: (i) the holding of annual general meeting and extraordinary general meetings, if any, which may be convened for specific purposes and provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and circulars on the websites of the Company and the Stock Exchange of Hong Kong; and (iii) the availability of latest information of the Group on the website of the Company.

The Company's notices to Shareholders for the annual general meeting ("AGM") held in 2021 were sent to Shareholders at least 20 clear business days or 21 clear days before the meetings, whichever is the longest.

The chairman of the Board and the representatives of external auditor were available at the AGM held on 10 September 2021 to answer questions from the Shareholders. The chairman of the AGM explained the procedures for conducting a poll during the meeting. All resolutions proposed at the AGM were voted separately by way of poll. All the votes cast at the said meeting were properly counted and recorded.

CORPORATE GOVERNANCE 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises effective risk management is an essential and integral part of the Group's effort at achieving business objectives and sustainable development.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2022, covering the material financial, operational and compliance controls. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions on an annual basis. The Board is of the view that the system of risk management and internal control are effective and adequate.

During the year ended 31 March 2022, the Group have engaged independent professionals to assess and review its overall risk management system, internal controls and operation processes and have given recommendations to make any enhancement. It has been reported that there are no material deficiencies found.

RISK MANAGEMENT AND INTERNAL CONTROL – CONTINUED

Under the enterprise risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks. Such risks include strategic, credit, operational (administrative, system, human resources, tangible and reputation), market, liquidity, legal and regulatory risks. Exposure to these risks is continuously monitored by the Board through the Audit Committee.

In specific, the risk management process of the Group is described as follows:

- Risk identification – identify the current risks confronted.
- Risk analysis – conduct analysis on the risk including the impact extent and possibility of occurrence.
- Risk response – choose a proper risk response method and develop a risk mitigation strategy.
- Control measures – propose up-to-date internal control measures and policy and process.
- Risk control – continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk response strategy.
- Risk management report – summarise results of risk assessment and analysis and internal audit, formulate and report an action plan.

The Group's Internal Audit Function monitors the Group's internal governance and strives to provide objective assurance to the Board that appropriate, adequate and effective risk management and internal control systems are in place. It has unrestricted access to review all aspects of the Group's activities and internal controls. It also conducts special audits of areas of concern identified by management or the Audit Committee. The Internal Audit Function adopts a risk-based audit approach. All audit reports are circulated to the Audit Committee and key management. The Internal Audit Function is also responsible for following up the implementation of recommendations and corrective actions.

RISK MANAGEMENT AND INTERNAL CONTROL – CONTINUED

During the year under review, the Audit Committee, as delegated by the Board, discussed the risk management and internal control systems for the financial year under review with Management to ensure that Management has performed its duty to have an effective risk management and internal control systems in place. The Board ensured that the resources, staff qualifications and experience, training programs and the budget of the Group's accounting, internal control and financial reporting functions were adequate. The Board concluded that in general, the Group had set up control environment and installed necessary control mechanisms to monitor and correct non-compliance or material internal control defects, if any. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified.

Procedures and internal controls for the handling and dissemination of inside information

The Group has complied with the relevant applicable requirements of the SFO and the Mainboard Listing Rules in respect of dissemination of inside information. The Group has disclosed inside information to the public as soon as reasonably practicable. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements and other public disclosures are not false or misleading as to a material fact or as a result of the omission of a material fact by presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

Mr. Tang Sik Ho ("Mr. Tang") is appointed as the Company Secretary of the Company. According to rule 3.29 of the Listing Rules, Mr. Tang takes no less than 15 hours of relevant professional training for the year ended 31 March 2022.

DIRECTORS' REPORT

The directors ("Directors" or individually, the "Director") of MEXAN LIMITED submit their report together with the audited consolidated financial statements for the year ended 31 March 2022.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. During the year, the principal activity of its subsidiaries is hotel operation. Further details of subsidiaries during the year ended 31 March 2022 are set out in note 25 to the consolidated financial statements.

An analysis of revenue and results from operations of the Company and its subsidiaries for the year by principal activities is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 41.

The state of affairs of the Group and the Company as at 31 March 2022 are set out in the consolidated statement of financial position on pages 42 to 43 and in note 24 to the consolidated financial statement respectively.

The cash flows of the Group are set out in the consolidated statement of cash flows on pages 45 to 46.

As at 31 March 2022, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$37,556,000 (2021: HK$37,840,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: Nil).

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 44 and in note 21 to the consolidated financial statements respectively.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 111.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in hotel property and other property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of the movements in leasehold land and office property of the Group during the year are set out in note 15 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Particulars of the Group's principal properties are set out on page 112.

BANK LOANS

Particulars of the Group's bank loans are set out in note 18 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

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.

MAJOR CUSTOMERS AND SUPPLIERS

None of the customers have accounted for over 10%.

The aggregate purchases attributable to the largest and the five largest suppliers were approximately 26% and 52% in the year under review.

None of the Directors, their associates or any shareholders (who, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any beneficial interest in the major customers and suppliers noted above.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. Lun Yiu Kay Edwin (Chairman)
Mr. Ng Tze Ho Joseph

Independent Non-Executive Directors:

Dr. Tse Kwing Chuen
Mr. Ng Hung Sui Kenneth
Mr. Lau Shu Kan

In accordance with Bye-law 83(2) and 84 of the Company's Bye-laws, Mr. Lun Yiu Kay Edwin and Mr. Ng Hung Sui Kenneth shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group, which is not determinable by the Group within one year without payment of compensation, other than statutory compensations.

The Company has received from each of the Independent Non-Executive Directors their annual confirmations of independence and considers that each of the Independent Non-Executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors of the Company as at the date of this report are set out below:

Executive Directors

Mr. Lun Yiu Kay Edwin ("**Mr. Lun**"), aged 52, has been a Director and the Managing Director of the Company since April 2007 and has been the Chairman of the Company since December 2014. Mr. Lun holds a Bachelor's Degree in Science (Land Management) from the University of Reading, United Kingdom. He has over 27 years' experience in property investment, finance and management. He is also experienced in hotel management and in the tourism industry. Mr. Lun joined the group of companies operating various businesses, which ultimately owned and controlled by him and his immediate family member (the "Winland Group") in 1994 and is currently a director of various companies in the Winland Group.

Mr. Ng Tze Ho Joseph ("**Mr. Joseph Ng**"), aged 50, has been a Director since April 2007. He is also a member of the executive committee. Mr. Joseph Ng holds a Bachelor's Degree in Science (Quantity Surveying) from the University of Reading, United Kingdom. He has over 26 years' experience in property investment and development, leasing and management. Mr. Joseph Ng joined the Winland Group in 1997 and is currently a director of several companies in the Winland Group.

Independent Non-Executive Directors

Dr. Tse Kwing Chuen ("**Dr. Tse**"), aged 70, has been a Director since April 2007. He is also a member of the audit committee, remuneration committee and nomination committee of the Board. Dr. Tse obtained a Master's Degree in Economics from the Zhongshan University, the PRC and a Doctorate's Degree of Philosophy in Business Administration from the Bulacan State University, the Republic of the Philippines. Dr. Tse is a Certified Dealmaker as approved by China Mergers & Acquisitions Association. He is also an executive director of Hong Kong Financial Assets Management Limited and the Observer in the Independent Police Complaints Council.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT – CONTINUED

Independent Non-Executive Directors – **continued**

Mr. Ng Hung Sui Kenneth ("**Mr. Kenneth Ng**"), aged 55, has been a Director since April 2007. He is also a member of the audit committee and remuneration committee of the Board. Mr. Kenneth Ng obtained a Bachelor's Degree in Laws from the University of Hong Kong and is a solicitor practising in Hong Kong since 1992. He was also admitted as a solicitor in England and Wales in 1993 and as a legal practitioner in Tasmania, Australia in 1994. He is a managing partner of Ng, Au Yeung & Partners Solicitors & Notaries. Mr. Kenneth Ng is a Notary Public of Hong Kong and a China-Appointed Attesting Officer. Mr. Kenneth Ng is a member of the Criminal Law & Procedure Committee of the Law Society of Hong Kong.

Mr. Lau Shu Kan ("**Mr. Lau**"), aged 63, has been a Director since September 2016. He is also a member of the audit committee, remuneration committee and nomination committee. Mr. Lau has over 31 years' experience in working in European and Hong Kong based banks in commercial, corporate and PRC banking sectors. Graduated from the Hong Kong Polytechnic with a Professional Diploma in Company Secretaries and Administration and obtained a Master's degree in Business Administration (Financial Services) from the University of Greenwich. Mr. Lau is currently an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

(i) **Long positions in shares of the Company**

Name of Director	No. of shares of HK$0.02 each held	Capacity and nature of interest	Approximate shareholding percentage (%)
Lun Yiu Kay Edwin	1,358,055,354	Interest of controlled corporation	69.06

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the year was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, the following Director was considered to have interests in the following businesses ("Competing Business") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as defined in the Listing Rules as set out below:

Name of Director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the Director in the entity
Lun Yiu Kay Edwin	Winland Hotel Management Limited (Note)	Hotel management	As director
	Winland Finance Limited	Money lending	As director

Note:

Winland Hotel Management Limited has no hotel management business at present.

The Director interested in the above businesses will, as and when required under the Company's Bye-laws, abstain from voting on any resolution of the Board in respect of any arrangement or proposal in which he or any of his associates has a material interest.

The Directors are of the view that the Group is capable of carrying on its business independently from the Competing Business. When making decisions on the business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2022, the following corporations and persons, other than the Directors whose interests are disclosed above, who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Long/short position	No. of shares of HK$0.02 each held	Capacity and nature of interest	Approximate shareholding percentage (%)
Winland Wealth (BVI) Limited (Note i)	Long	1,358,055,354 (Note i)	Beneficial owner	69.06
Winland Stock (BVI) Limited (Note ii)	Long	1,358,055,354 (Note ii)	Interest of controlled corporation	69.06

Notes:

i. Mr. Lun Yiu Kay Edwin was deemed to be interested by virtue of the SFO in the 1,358,055,354 shares of the Company held by Winland Wealth (BVI) Limited which was wholly owned by Winland Stock (BVI) Limited.

ii. Winland Stock (BVI) Limited has declared an interest in 1,358,055,354 shares by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REVIEW BY AUDIT COMMITTEE

At the date of this report, the Audit Committee of the Company comprises three Independent Non-Executive Directors namely, Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lau Shu Kan. The Audit Committee has reviewed with the Group's auditors, BDO Limited, the audited consolidated financial statements for the year ended 31 March 2022 and has also discussed auditing, internal control and financial reporting matters of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. Details of our environmental, social and governance policies and performance during the year ended 31 March 2022 shall be disclosed in a standalone "Environmental, Social and Governance Report" to be published within one month after the publication of this Annual Report on the websites of the Company and the Stock Exchange.

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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this annual report, there has been no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Group during the year.

By Order of the Board
MEXAN LIMITED

Lun Yiu Kay Edwin
Chairman

Hong Kong, 22 June 2022

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF MEXAN LIMITED
茂盛控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Mexan Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 41 to 110, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b) in the consolidated financial statements, which indicates that the Group incurred loss for the year ended 31 March 2022 of HK$44,603,000 and had net current liabilities of HK$74,360,000 as at 31 March 2022. These conditions, along with other matters as set forth in Note 3(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

(Refer to note 14 and 15 to the consolidated financial statements and the Group's accounting policies set out in note 5(c))

As at 31 March 2022, the Group has property, plant and equipment with the carrying amount of HK$400 million, which comprise a hotel property with the carrying amount of HK$390 million. Also, the Group has investment property with the carrying amount of HK$112 million, which comprise an office property with the carrying amount of HK$105 million and leasehold land with carrying amount of HK$7 million. Such hotel property, office property and leasehold land are stated at cost less accumulated depreciation and impairment. The performance of the Group's hotel operation has been impacted by the uncertainties of the tourism market, mainly due to the negative impact from the outbreak of COVID-19 all around the world, causing the decrease in number of visitors from the People's Republic of China to Hong Kong and recession of global economy. These conditions resulted in a downward pressure of the occupancy rate and hotel room rate. Management is required to assess whether there exist events or changes in circumstances, which indicate that the hotel property has suffered an impairment loss, and if so, to estimate its recoverable amount. Management performed impairment assessment to determine the recoverable amount of the hotel property, which was determined based on fair value less costs of disposal. Independent external valuation was obtained for the hotel property to support management's estimate. The fair value less costs of disposal is arrived at based on discounted cash flow methodology from potential purchaser perspective which represents estimates of the future income potential of the hotel property, and with reference to the direct or market comparison methodology by comparing to the recent sales price of comparable hotel properties. The management concluded that the recoverable amount of the hotel property is higher than its carrying value such that no impairment provision was required.

KEY AUDIT MATTERS – CONTINUED

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY – CONTINUED

(Refer to note 14 and 15 to the consolidated financial statements and the Group's accounting policies set out in note 5(c))

With respect to the office property, its recoverable amount has been impacted by the outbreak of COVID-19. Management is required to assess whether the existing events or changes in circumstances, which indicate the office property has suffered an impairment loss and if so, to estimate its recoverable amount. Management performed impairment assessment to determine the recoverable amount of the office property, which was based on fair value less costs of disposal. Independent external valuation was obtained for the office property to support management's estimate. The fair value less costs of disposal is arrived by recent comparable sales prices of office properties under market comparison methodology. The management concluded that the recoverable amount of the office property is below its carrying value and impairment loss of HK$4,600,000 was provided in the Group's consolidated statement of profit or loss for the year ended 31 March 2022.

With respect to the leasehold land, its recoverable amount may be impacted by the outbreak of COVID-19. Management is required to assess whether the existing events or changes in circumstance, which indicate the leasehold land has suffered an impairment loss and if so, to estimate its recoverable amount. Management performed impairment assessment to determine the recoverable amount of the leasehold land, which was based on fair value less cost of disposal. Independent external valuation was obtained for the leasehold land to support management's estimate. The fair value less costs of disposal is arrived by recent comparable sales prices of leasehold land under market comparison methodology. The management concluded that the recoverable amount of the leasehold land is higher than its carrying value such that no impairment is indicated.

Determining the recoverable amounts of the hotel property and office property required significant management judgement, including implementing the key assumptions and estimates with respect to the underlying cash flows in the valuation model, selecting comparable properties and making adjustments for the differences among the comparable properties and the hotel and office property, such as location, grade and condition of the properties.

KEY AUDIT MATTERS – CONTINUED

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY – CONTINUED

(Refer to note 14 and 15 to the consolidated financial statements and the Group's accounting policies set out in note 5(c))

Our response:

Our audit procedures in relation to assess the potential impairment of the hotel property and office property included:

- We evaluated the independent external valuer's competence;
- We assessed the valuation methodologies used and the appropriateness of key assumptions based on our knowledge of the industry;
- We checked, on a sample basis, the accuracy and relevance of the input data used;
- We benchmarked the key parameters used in the valuations against market data and comparables; and
- We checked the mathematical accuracy of the calculation of the valuations.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Choi Man On
Practising Certificate Number P02410

Hong Kong, 22 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	7	**27,515**	24,490
Direct costs		**(18,856)**	(13,401)
Gross profit		**8,659**	11,089
Other income	7	**300**	791
Administrative and other operating expenses		**(24,735)**	(27,843)
Depreciation		**(21,718)**	(21,602)
Impairment loss on investment property	15	**(4,600)**	(4,467)
Reversal of impairment loss on trade receivables	17	**1,010**	1,140
Finance costs	8	**(1,337)**	(1,666)
Loss before income tax	9	**(42,421)**	(42,558)
Income tax expense	10	**(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	26	**(197)**	(254)
		(44,603)	(43,517)
Loss per share attributable to owners of the Company – basic and diluted (HK cents)	12	**(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	14	**400,015**	409,139
Investment property	15	**112,363**	120,585
		512,378	529,724
Current assets			
Inventories	16	**122**	108
Trade and other receivables	17	**2,327**	1,332
Amounts due from related parties	23(b)	**–**	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 instalment loan	18	**1,665**	11,613
Bank revolving loan	18	**80,075**	50,063
Contract liabilities	19	**1,044**	796
Amount due to a non-controlling shareholder of a subsidiary	23(b)	**6,414**	6,414
		98,191	77,529
Net current liabilities		**(74,360)**	(49,277)
Total assets less current liabilities		**438,018**	480,447

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Deferred tax liabilities	22	**14,878**	12,704
Net assets		**423,140**	467,743
EQUITY			
Share capital	20	**39,328**	39,328
Reserves		**386,753**	431,159
Equity attributable to owners of the Company		**426,081**	470,487
Non-controlling interests	26	**(2,941)**	(2,744)
Total equity		**423,140**	467,743

On behalf of the Board

Lun Yiu Kay Edwin	**Ng Tze Ho Joseph**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2020	39,328	204,834	129	104,874	164,585	513,750	(2,490)	511,260
Loss and total comprehensive income for the year	–	–	–	–	(43,263)	(43,263)	(254)	(43,517)
At 31 March 2021 and 1 April 2021	39,328	204,834	129	104,874	121,322	470,487	(2,744)	467,743
Loss and total comprehensive income for the year	–	–	–	–	(44,406)	(44,406)	(197)	(44,603)
At 31 March 2022	39,328	204,834	129	104,874	76,916	426,081	(2,941)	423,140

Nature and purpose of share capital and reserves are disclosed in Note 20 and 21 of the notes to the consolidated financial statements respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Loss before income tax		**(42,421)**	(42,558)
Interest income	7	**–**	(91)
Interest expense	8	**932**	1,118
Depreciation of property, plant and equipment	9	**18,096**	17,848
Depreciation of investment property	9	**3,622**	3,754
Loss on disposal of property, plant and equipment	9	**1**	2
Impairment loss on investment property		**4,600**	4,467
Reversal of impairment loss on trade receivables	17	**(1,010)**	(1,140)
Operating loss before working capital changes		**(16,180)**	(16,600)
Increase in inventories		**(14)**	(13)
Decrease in trade and other receivables		**15**	2,729
Decrease/(increase) in amounts due from related parties		**28**	(28)
Increase in contract liabilities		**248**	370
Increase in other payables, deposits received and accrued charges		**350**	3,119
Net cash used in operations		**(15,553)**	(10,423)
Interest received		**–**	91
Interest paid		**(924)**	(1,081)
Income tax received/(paid)		**17**	(25)
Net cash used in operating activities		**(16,460)**	(11,438)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
Cash flows from investing activities		
Purchases of property, plant and equipment	(8,973)	(737)
Net cash used in investing activities	(8,973)	(737)
Cash flows from financing activities		
Drawdowns of bank loans	**30,000**	50,000
Repayments of bank loans	**(9,944)**	(9,826)
Advances from a related party	–	81,000
Repayments to a related party	–	(90,000)
Net cash generated from financing activities	**20,056**	31,174
(Decrease)/increase in cash and cash equivalents	(5,377)	18,999
Cash and cash equivalents at beginning of year	**26,759**	7,760
Cash and cash equivalents at end of year	**21,382**	26,759
Analysis of the balance of cash and cash equivalents		
Cash and bank balance	**21,382**	26,759

1. GENERAL INFORMATION

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

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in Note 25. The Company and its subsidiaries are collectively referred to as the "Group". There were no significant changes in the Group's business during the year.

2. 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]

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

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

- 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

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

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

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

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

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

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.

3. 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 2.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

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 that the Group incurred loss for the year ended 31 March 2022 of HK$44,603,000 and had 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 governments and authorities of various countries around the world caused the decrease in travelers to Hong Kong. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

3. BASIS OF PREPARATION – CONTINUED

(b) Basis of measurement and going concern assumption – continued

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 continue as a going concern and have sufficient working capital to finance its operation and to meet its financial obligations as and 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 18(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.

3. BASIS OF PREPARATION – CONTINUED

(b) **Basis of measurement and going concern assumption – continued**

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.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) **Business combination and basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(b) Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates of depreciation are as follows:

Hotel property	2.5%
Office property	2%
Furniture, fixtures and equipment	10% – 20%

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(c) Property, plant and equipment – continued

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is a property held either to earn rentals or for capital appreciation or for both or held for undetermined future use, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of estimated residual value over the estimated useful live, whichever is shorter. Investment property is depreciated at the range of 36 years to 50 years using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

When the Group's properties comprise a portion that is held to earn rentals and another portion that is held for use in the supply of goods or services, if these portions could not currently be sold separately, the property is investment property only if an insignificant portion is held for use in the supply of goods or services.

(e) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets and the Company's investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(e) Impairment of assets (other than financial assets) – continued

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(f) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies all debt instruments at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Financial Instruments – continued

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables and financial assets measured at amortised cost. ECLs are measured on either of the following bases:

- 12 months ECLs: these are the ECLs that result from possible default events within 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other financial assets measured at amortised cost, ECLs are based on 12 months ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Financial Instruments – continued

(ii) Impairment loss on financial assets – continued

The Group assumes the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Financial Instruments – continued

(ii) Impairment loss on financial assets – continued

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables, deposits received and accrued charges, amount due to a non-controlling shareholder of a subsidiary and bank loans are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Financial Instruments – continued

(iii) Financial liabilities – continued

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) Leases

The Group as a lessee

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

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Leasehold land and buildings which are held for own use are accounted for under HKAS 16 and are stated at cost and are amortised over the period of the lease. The right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) **Leases – continued**

The Group as a lessee – continued

Lease liability

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

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed lease payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(i) Leases – continued

The Group as a lessee – continued

Lease liability – continued

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

i) The initial recognition of goodwill

ii) The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and

iii) Investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities are settled.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Income taxes – continued

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

- Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;

- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and

- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or

- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Recognition of revenue and other income

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Recognition of revenue and other income – continued

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

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

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Recognition of revenue and other income – continued

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

(iii) Revenue from laundry service income is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

(iv) Interest income is recognised on time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the considerations (including advances received from customers) exceeds the revenue recognised to date then the Group recognises a contract liability for the difference.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Employee benefits – continued

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Retirement scheme obligations

The Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by the Group to the scheme are charged to profit or loss as incurred.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by the laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. The Group and the employees contribute to the MPF Scheme (the "MPF contributions") in accordance with the MPF Schemes Ordinance. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Related parties – continued

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(p) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

(q) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's service lines. For the years ended 31 March 2022 and 2021, the Group has one single business segment, namely hotel operation.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Estimation of useful lives and residual value of property, plant and equipment and investment property

The Group's management determines the estimated useful lives and estimated residual value of its property, plant and equipment and investment property. The estimate is based on the historical experience of the actual useful lives and residual value of these property, plant and equipment and investment property of similar nature and functions.

Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers, the aging analysis and past settlement of the receivables, prevailing market conditions and adjustment for forward-looking factors specific to the debtors. The management reassess the provision for impairment of trade and other receivables at each reporting date.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

(c) Impairment assessment of property, plant and equipment and investment property

The property, plant and equipment and investment property of the Group mainly included hotel property and office property. At each reporting date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs of disposal and/or value in use calculations as appropriate. Both the hotel property and office property are able to generate cash inflows that are largely independent from other assets, therefore the recoverable amount of hotel property and office property can be determined. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the property, plant and equipment for hotel property and investment property for office property to their recoverable amount. Such impairment losses are recognised in the statement of profit or loss. In the current year, hotel property and office property are subject to impairment assessment and the recoverable amounts of the hotel property and office property have been determined based on fair value less costs of disposal of hotel property and office property. Fair value less costs of disposal is based on management estimates having regard to estimated resale values for hotel property, while the fair value less costs of disposal of office property is based on the market value of the premise. Fair value less costs of disposal is a level 3 fair value measurement.

(d) Going Concern

As explained in Note 3(b), the directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration as detailed in Note 3(b). The directors of the Company also believe that the Group will have working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period.

6. SEGMENT INFORMATION

(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.

7. REVENUE AND OTHER INCOME

The Group's revenue represents income from the service provided, including income arising from letting of hotel rooms to 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.

7. REVENUE AND OTHER INCOME – CONTINUED

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

	2022 **HK$'000**	2021 HK$'000
Contract liabilities (Note 19)	**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.

8. FINANCE COSTS

Finance costs comprise the following:

	2022 **HK$'000**	2021 HK$'000
Interest on bank loans (Note 18)	**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.

9. LOSS BEFORE INCOME TAX

	2022 HK$'000	2021 HK$'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 as disclosed in Note 13)		
– Salaries and allowances	**23,822**	17,974
– Retirement benefit cost	**957**	929

10. INCOME TAX EXPENSE

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

	2022 HK$'000	2021 HK$'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 (Note 22)		
Origination and reversal of temporary differences, net	**2,174**	962
	2,174	962
Income tax expense	**2,182**	959

10. INCOME TAX EXPENSE – CONTINUED

(b) Income tax expense for the year can be reconciled to the Group's loss before income tax as follows:

	2022 HK$'000	2021 HK$'000
Loss before income tax	**(42,421)**	(42,558)
Tax at applicable tax rate of 16.5% (2021: 16.5%)	**(6,999)**	(7,022)
Tax effect of expenses not deductible for tax purposes	**3,495**	3,984
Tax effect of temporary differences not recognised	**561**	(233)
Tax effect of income not taxable for tax purposes	–	(15)
Over provision in prior years	–	(3)
Tax effect of unused tax losses not recognised	**5,122**	4,255
Others	**3**	(7)
Income tax expense	**2,182**	959

There was an unutilised tax losses of the Company as at 31 March 2022 amounted to HK$90,246,000 (2021: HK$90,145,000), which are subject to the agreement of the Hong Kong Inland Revenue Department. This balance may be carried forward indefinitely. The directors are in the opinion that no taxable income would be recognised in the foreseeable future.

No deferred tax asset for such losses has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised due to the unpredictability of future profits streams of the Company and its subsidiaries.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2021: Nil).

12. 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 **HK$'000**	2021 HK$'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.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The emoluments paid or payable to each of the directors, who are also considered as key management personnel of the Company, during the year are as follows:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Discretionary bonus HK$'000	Total HK$'000
For the year ended 31 March 2022					
Executive directors					
Lun Yiu Kay Edwin	–	–	–	–	–
Ng Tze Ho Joseph	80	–	3	50	133
	80	–	3	50	133
Independent non-executive directors					
Tse Kwing Chuen	180	–	–	50	230
Ng Hung Sui Kenneth	180	–	–	50	230
Lau Shu Kan	180	–	–	50	230
	540	–	–	150	690
Total	620	–	3	200	823

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – CONTINUED

(a) The emoluments paid or payable to each of the directors, who are also considered as key management personnel of the Company, during the year are as follows: – continued

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Discretionary bonus HK$'000	Total HK$'000
For the year ended 31 March 2021					
Executive directors					
Lun Yiu Kay Edwin	–	–	–	–	–
Ng Tze Ho Joseph	80	–	3	50	133
	80	–	3	50	133
Independent non-executive directors					
Tse Kwing Chuen	180	–	–	50	230
Ng Hung Sui Kenneth	180	–	–	50	230
Lau Shu Kan	180	–	–	50	230
	540	–	–	150	690
Total	620	–	3	200	823

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – CONTINUED

(b) Five highest paid individuals

The five highest paid individuals of the Group did not include any directors (2021: nil) whose emolument is included in the disclosures above. The emoluments of the remaining five (2021: five) individuals were as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**2,640**	2,511
MPF contributions	**90**	90
	2,730	2,601

The emoluments of the remaining five (2021: five) individuals fell within the following bands:

	No. of individuals	
	2022	2021
Nil to HK$1,000,000	**5**	5

(c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2021: Nil). None of the directors or any of the highest paid individuals waived or agreed to waive any emoluments during the year (2021: nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 April 2020	686,275	8,110	694,385
Additions	–	737	737
Disposals	–	(10)	(10)
At 31 March 2021 and 1 April 2021	686,275	8,837	695,112
Additions	–	8,973	8,973
Disposals	–	(26)	(26)
At 31 March 2022	686,275	17,784	704,059
Accumulated depreciation and impairment			
At 1 April 2020	261,643	6,490	268,133
Charged for the year	17,157	691	17,848
Written back on disposals	–	(8)	(8)
At 31 March 2021 and 1 April 2021	278,800	7,173	285,973
Charged for the year	17,157	939	18,096
Written back on disposals	–	(25)	(25)
At 31 March 2022	295,957	8,087	304,044
Net carrying value			
At 31 March 2022	390,318	9,697	400,015
At 31 March 2021	407,475	1,664	409,139

At 31 March 2022, the Group's hotel property was located in Hong Kong and was pledged to a bank for granting loan to the Group amounting to HK$81,740,000 (2021: HK$61,676,000) (Note 18).

15. INVESTMENT PROPERTY

	Leasehold land HK$'000	Office property HK$'000	Total HK$'000
Cost			
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	12,000	168,802	180,802
Accumulated depreciation and impairment			
At 1 April 2020	3,774	48,222	51,996
Charged for the year	301	3,453	3,754
Impairment loss	–	4,467	4,467
At 31 March 2021 and 1 April 2021	4,075	56,142	60,217
Charged for the year	301	3,321	3,622
Impairment loss	–	4,600	4,600
At 31 March 2022	4,376	64,063	68,439
Net carrying value			
At 31 March 2022	7,624	104,739	112,363
At 31 March 2021	7,925	112,660	120,585

The balance represents a piece of agricultural land held by the Group under medium term leases in Hong Kong and office property located in Hong Kong under medium term leases. The Group has not yet determined the future use of the land and currently holds the property for capital appreciation.

The valuation is carried out on a Market Value basis. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeable, prudently and without compulsion".

15. INVESTMENT PROPERTY – CONTINUED

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 mainly location, zoning and permitted land use, accessibility, size and surrounding. The higher the price, the higher the fair value. The fair value is based on observable inputs other than unadjusted quoted price and corroborated by observable market data, and is therefore under level 3 hierarchy.

The fair value of 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 mainly location, size, floor, view and year of completion. The higher the price, the higher the fair value. The fair value is based on observable inputs other than unadjusted quoted price and corroborated by observable market data, and is therefore under level 3 hierarchy.

16. INVENTORIES

These represent food and beverage, admission tickets for resale and other consumables.

17. TRADE AND OTHER RECEIVABLES

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

17. TRADE AND OTHER RECEIVABLES – CONTINUED

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 **HK$'000**	2021 HK$'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 future 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

18. BANK LOANS

	2022 HK$'000	2021 HK$'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$, carried at a variable interest rate with reference to HIBOR. At 31 March 2022, effective interest rate of the bank instalment loan is 0.76% (2021: 1.15%) per annum.

(b) On 23 September 2020, the Group has been granted a revolving loan banking facility of HK$100 million by a banking institution in Hong Kong. The bank revolving loan represents the portion of banking facility utilised and is denominated in HK$, carried at a 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 is 1.54% per annum (2021:1.62%).

(c) The bank loans are secured by the first legal charge of the hotel property of the Group (Note 14), 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.

18. BANK LOANS – CONTINUED

(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 HK$'000	2021 HK$'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.

19. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract liabilities arising from:		
Hotel room sales to walk-in customers	**1,044**	796

Typical payment terms which impact on the amount of contract liabilities are as follows:

Hotel room sales to walk-in customers

The Group would collect lump-sum receipts in advance from the customers who entered into the period of hotel accommodation for (i) less than 3 days of hotel accommodation for non long-stay customers and (ii) hotel accommodation income received in weekly and monthly basis for long-stay customers. Whenever the progress towards complete satisfaction or the relevant performance obligation is passed. Such contract liabilities would be derecognised and the respective amount would be recognised as revenue. The balance of contract liabilities would be expected to be recognised as revenue in next financial year.

Movements in contract liabilities

	2022 HK$'000	2021 HK$'000
At 1 April	**796**	426
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(796)**	(426)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities as a result of payment received in advance from customers	**(14,779)**	(14,635)
Increase in contract liabilities as a result of payment received in advance from customers	**15,823**	15,431
At 31 March	**1,044**	796

20. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.02 each		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	3,000,000,000	60,000
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	1,966,387,866	39,328

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

21. RESERVES

(i) Share premium

The balance represents the premium arising from the issue of shares at a price in excess of their par value per share.

(ii) Contributed surplus

As advised by the Company's Bermuda counsel on 5 September 2008, the credit arising on the cancellation of the share capital under the Capital Reorganisation may be used in such manner as including contributing the credit arising to the Company's contributed surplus account, which is a distributable reserve of the Company, after the approval of the shareholders at the special general meeting.

21. RESERVES – CONTINUED

(iii) Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contribution surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2020	204,834	129	104,874	37,613	347,450
Profit and total comprehensive income for the year	–	–	–	227	227
At 31 March 2021 and 1 April 2021	204,834	129	104,874	37,840	347,677
Loss and total comprehensive income for the year	–	–	–	(284)	(284)
At 31 March 2022	204,834	129	104,874	37,556	347,393

22. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movement during the current and prior years is as follows:

	Tax losses HK$'000	Accelerated depreciation HK$'000	Total HK$'000
At 1 April 2020	(2,862)	14,604	11,742
Charged to profit or loss (Note 10(a))	–	962	962
At 31 March 2021 and 1 April 2021	(2,862)	15,566	12,704
Charged to profit or loss (Note 10(a))	–	2,174	2,174
At 31 March 2022	(2,862)	17,740	14,878

23. RELATED PARTY TRANSACTIONS

As at 31 March 2022, the directors consider the ultimate holding company of the Company to be Winland Stock (BVI) Limited which was incorporated in the British Virgin Islands.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Other than disclosed elsewhere in the consolidated financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year, the Group entered into the following transactions with the related parties:

Related party relationship	**Type of transaction**	**2022** **HK$'000**	2021 HK$'000
Company controlled by the director	Recharge of staff cost	–	620

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

(c) Compensation of key management personnel

The emoluments of key management personnel (comprising of directors only) during the year were as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and benefits in kind	**820**	820
Contributions to retirement benefits schemes	**3**	3
	823	823

The emoluments paid or payable to key management personnel (comprising of directors only) were within the following bands:

	No. of individuals **2022**	2021
Nil to HK$1,000,000	**5**	5

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	25	**389,296**	386,734
Current assets			
Deposits and prepayments		**127**	127
Cash and bank balances		**6,785**	2,352
		6,912	2,479
Current liabilities			
Other payables and accrued charges		**636**	778
Amount due to subsidiaries		**8,851**	1,430
		9,487	2,208
Net current (liabilities)/assets		**(2,575)**	271
Net assets		**386,721**	387,005
EQUITY			
Share capital	20	**39,328**	39,328
Reserves	21(iii)	**347,393**	347,677
Total equity		**386,721**	387,005

On behalf of the Board

Lun Yiu Kay Edwin	**Ng Tze Ho Joseph**
Director	*Director*

25. INTERESTS IN SUBSIDIARIES

	2022 HK$'000	2021 HK$'000
Unlisted shares, at cost (Note (a))	**500**	500
Amounts due from subsidiaries (Note (b))	**388,977**	386,415
	389,477	386,915
Less: Provision for impairment loss	**(181)**	(181)
	389,296	386,734

(a) On 25 January 2021, a wholly owned subsidiary of the Company has passed the special resolution to reduce its share capital by HK$499,999 to HK$1 by extinguishing and cancelling 499,999 ordinary shares and the fund collected from the reduction was advanced to another wholly owned subsidiary of the Company. The reduction of capital was completed and registered in the Companies Registry on 10 March 2021.

(b) Amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans, except for an amount due from a subsidiary of HK$182 million bear interest at HIBOR plus 1.4% per annum.

(c) Amount due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

25. INTERESTS IN SUBSIDIARIES – CONTINUED

Particulars of the principal subsidiaries as at 31 March 2022 are set out below:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid up share capital/ registered capital	Effective interest held by the Company		Principal activities
			Directly	Indirectly	
City Promenade Limited	Hong Kong	Paid-up capital of HK$2	–	100%	Hotel operation
Perfect Plan Development Limited	Hong Kong	Paid-up capital of HK$100	–	51%	Property holding
Goodnews Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Castle Charm Limited	Hong Kong	Paid-up capital of HK$2	–	100%	Property holding
Winland China Hotel Limited	Hong Kong	Paid-up capital of HK$1	–	100%	Self-laundry business

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

26. NON-CONTROLLING INTERESTS

Perfect Plan Development Limited ("Perfect Plan"), a 51% owned subsidiary of the Company, has material non-controlling interests.

Summarised financial information in relation to non-controlling interests of Perfect Plan, before intra-group eliminations, is presented below:

	2022 **HK$'000**	2021 HK$'000
For the year ended 31 March		
Revenue	–	–
Loss for the year	**400**	519
Total comprehensive loss for the year	**400**	519
Loss for the year allocated to non-controlling interests	**197**	254
Net cash flows used in operating activities	**(1)**	(1)
Net decrease in cash and cash equivalents	**(1)**	(1)
As at 31 March		
Current assets	**61**	61
Non-current assets	**7,623**	7,925
Current liabilities	**(13,682)**	(13,585)
Net liabilities	**(5,998)**	(5,599)
Accumulated non-controlling interests	**(2,941)**	(2,744)

27. 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 recognised 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.

28. LEASES

Disclosures under HKFRS 16

The Group

Nature of leasing activities (in the capacity as lessee)

The Group leases a number a properties in the jurisdictions from which it operates. Lease payment were paid in full when the property leases were acquired.

(i) Right-of-use-assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follow:

	31 March 2022 HK$'000	31 March 2021 HK$'000
Carried at depreciated cost and net of impairment loss		
Hotel property classified as property, plant and equipment	**390,318**	407,475
Office property classified as investment property	**104,739**	112,660
Leasehold land classified as investment property	**7,624**	7,925
	502,681	528,060

28. LEASES – CONTINUED

Disclosures under HKFRS 16 – continued

The Group – continued

Nature of leasing activities (in the capacity as lessee) – continued

(i) Right-of-use-assets – continued

	Hotel property HK$'000	Office property HK$'000	Leasehold land HK$'000	Total HK$'000
As at 1 April 2020	424,632	120,580	8,226	553,438
Depreciation	(17,157)	(3,453)	(301)	(20,911)
Impairment loss	–	(4,467)	–	(4,467)
As at 31 March 2021 and 1 April 2021	407,475	112,660	7,925	528,060
Depreciation	(17,157)	(3,321)	(301)	(20,779)
Impairment loss	–	(4,600)	–	(4,600)
As at 31 March 2022	390,318	104,739	7,624	502,681

The Group's hotel property, office property and leasehold land are held under medium term leases ranged from 50 years to 75 years and situated in Hong Kong where the Group's principal business activities were performed.

As at 31 March 2022, the Group's hotel property with an aggregate carrying amount of approximately HK$390,318,000 (2021: HK$407,475,000) were pledged to secure general banking facilities granted to the Group.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank loans (note 18) HK$'000	**Amount due to a related party** HK$'000
At 1 April 2020	21,453	9,012
Changes from financing cash flows:		
Drawdowns of bank loans	50,000	–
Repayments of bank loan	(9,826)	–
Advance from a related party	–	81,000
Repayments to a related party	–	(90,000)
Interest paid	(467)	(614)
	39,707	(9,614)
Other change:		
Interest expense	516	602
At 31 March 2021 and 1 April 2021	61,676	–
Changes from financing cash flows:		
Drawdowns of bank loans	30,000	–
Repayments of bank loans	(9,944)	–
Interest paid	(924)	–
	19,132	–
Other change:		
Interest expense	932	–
At 31 March 2022	81,740	–

30. CAPITAL COMMITMENTS

The Group's commitments at the reporting date are as follows:

	2022 **HK$'000**	2021 HK$'000
Commitments for acquisition of property, plant and equipment	**5,284**	–

31. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes bank loan as disclosed in Note 18, less cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 20 and 21 respectively.

The Group's management reviews the capital structure periodically. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts. No changes were made to the objectives or policies for both years.

The gearing ratio at the end of the reporting period was as follows:

	2022 **HK$'000**	2021 HK$'000
Debts	**81,740**	61,676
Cash and cash equivalents	**(21,382)**	(26,759)
	60,358	34,917
Equity	**423,140**	467,743
Debt to equity ratio	**14.26%**	7.46%

32. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Group's principal financial assets are cash and bank balances and trade receivables.

The Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the consolidated statement of financial position are net of provisions for doubtful receivables. Provision for impairment is made where there are expected credit losses from assessment by past events, current conditions and forecasts of future economic conditions.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's credit history and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables is set out in note 17.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

32. FINANCIAL RISK MANAGEMENT – CONTINUED

(b) Liquidity risk – continued

The following table details the remaining contractual maturities at the end of the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
2022			
Other payables, deposits received and accrued charges	8,993	8,993	8,993
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Bank loans	81,740	81,740	81,740
	97,147	97,147	97,147
2021			
Other payables, deposits received and accrued charges	8,643	8,643	8,643
Amount due to a non-controlling shareholder of a subsidiary	6,414	6,414	6,414
Bank loans	61,676	61,676	61,676
	76,733	76,733	76,733

32. FINANCIAL RISK MANAGEMENT – CONTINUED

(b) Liquidity risk – continued

Included in the interest-bearing bank loans are instalment loan and revolving loan which the related agreements contain repayment on demand clause giving the bank unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors consider that the loans will be repaid in accordance with the scheduled repayments dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group, the Group's compliance with the loan covenant, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the loans, the contracted undiscounted payments are as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
31 March 2022	81,740	81,742	81,742	–	–
31 March 2021	61,676	61,759	60,088	1,671	–

32. FINANCIAL RISK MANAGEMENT – CONTINUED

(c) Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's bank loans with a floating interest rate. Interest rate and terms of repayment of the Group's borrowing are disclosed in Note 18. The Group's policy is to obtain the most favourable interest rate available for its borrowings.

Sensitivity analysis

At 31 March 2022, it is estimated that a general increase/decrease of 50 basis points in interest rate, with all other variables held constant, would increase/decrease the Group's loss for the year and decrease/increase retained profits by approximately HK$341,000 (2021: HK$257,000).

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for loan outstanding in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting date. The analysis is performed on the same basis for 2021.

(d) Currency risk

Each member of the group company mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2022 and 2021.

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2022 and 2021 may be categorised as follows:

	2022 HK$'000	2021 HK$'000
Financial assets at amortised costs		
Trade and other receivables, net	**1,517**	657
Amounts due from related parties	**–**	28
Cash and bank balances	**21,382**	26,759
	22,899	27,444

	2022 HK$'000	2021 HK$'000
Financial liabilities at amortised costs		
Other payables, deposits received and accrued charges	**8,993**	8,643
Amount due to a non-controlling shareholder of a subsidiary	**6,414**	6,414
Bank loans	**81,740**	61,676
	97,147	76,733

34. MATERIAL INTEREST OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in note 23 "Related Party Transactions" of this report, no transaction, arrangement or contract of significance to the Company's business to which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly were entered into or subsisting during the financial year (2021: Nil).

35. 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.

36. ACQUISITION OF A SUBSIDIARY

On 9 March 2022, the Group has signed an agreement with an independent third party for purchasing Winland Firmstone Limited ("Winland Firmstone"), which is principally engaged in supply of furniture and building material and provision of the design and fit-out construction service in Hong Kong in two tranches. Tranche 1, completed on 8 April 2022, related to the Group's acquisition of 51% of the issued share capital of Winland Firmstone, settled with the consideration of approximately HK$3,595,000 by cash and the assignment of a $3,601,000 shareholder's loan payable by Winland Firmstone to the Group. As at 8 April 2022, the carrying amount of Winland Firmstone's assets and liabilities, which approximated their fair values, was HK$12,000 net liabilities.

The directors consider this acquisition is an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at its respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

The transaction cost of the acquisition is immaterial.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 22 June 2022.

FINANCIAL SUMMARY

	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Year ended 31 March					
Revenue	**27,515**	24,490	43,541	72,195	62,164
Loss and total comprehensive income	**(44,603)**	(43,517)	(70,818)	1,105	(264)
Loss and total comprehensive income attributable to owners of the Company	**(44,406)**	(43,263)	(70,661)	1,267	(107)
Assets and liabilities					
As at 31 March					
Total assets	**536,209**	557,976	565,835	653,865	499,109
Total liabilities	**(113,069)**	(90,233)	(54,575)	(71,787)	(78,524)
Non-controlling interests	**2,941**	2,744	2,490	2,333	2,171
Equity attributable to equity holders of the Company	**426,081**	470,487	513,750	584,411	422,756

PARTICULARS OF PRINCIPAL PROPERTIES

Particulars of the Group's principal properties as at 31 March 2022 are as follows:

HOTEL PROPERTY

Address	Type	Tenure	Group's interest
Hotel 2 Rambler Crest No. 1 Tsing Yi Road Tsing Yi New Territories Hong Kong	Commercial	Medium lease	100%

LAND

Address	Site Area (Sq. ft)	Lease Expiry	Group's interest
D.D. 243 in Sai Kung New Territories Hong Kong (certain lots)	164,420	2047	51%

OFFICE PROPERTY

Address	Type	Tenure	Group's interest
Office 4701 on 47th Floor Far East Finance Centre No. 16 Harcourt Road Hong Kong	Commercial	Medium lease	100%

MEXAN LIMITED
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