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**MEXAN LIMITED**

**茂盛控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 22)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2024**

**FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 March</b>		<b>Increase/ (decrease) %</b>
	<b>2024</b>	<b>2023</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Revenue	<b>176,944</b>	126,362	40%
Gross profit	<b>68,995</b>	44,318	56%
Loss before income tax expense	<b>(21,354)</b>	(33,904)	(37%)
Loss attributable to the owners of the Company for the year	<b>(20,158)</b>	(23,765)	(15%)
Basic and diluted Earnings per share ( <i>HK cents</i> )	<b>(1.03)</b>	(1.21)	(15%)

The board (the “Board”) of directors (the “Directors”) of MEXAN LIMITED (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2024, together with comparative figures for the corresponding year 2023 are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	5	176,944	126,362
Direct costs		<u>(107,949)</u>	<u>(82,044)</u>
Gross profit		68,995	44,318
Other income	5	2,574	1,067
Administrative and other operating expenses		(36,003)	(34,615)
Selling and distribution expense		(6,470)	(5,293)
Depreciation and amortisation		(29,861)	(28,807)
Impairment loss on investment property	12	(7,440)	(7,215)
Provision of impairment loss on trade receivables and contract assets, net	13, 14	(4,922)	(481)
Finance costs	6	<u>(8,227)</u>	<u>(2,878)</u>
Loss before income tax		(21,354)	(33,904)
Income tax credit	8	<u>956</u>	<u>9,975</u>
Loss and total comprehensive income for the year		<u>(20,398)</u>	<u>(23,929)</u>
Loss and total comprehensive income attributable to:			
Owners of the Company		(20,158)	(23,765)
Non-controlling interests		<u>(240)</u>	<u>(164)</u>
		<u>(20,398)</u>	<u>(23,929)</u>
Loss per share attributable to owners of the Company – basic and diluted ( <i>HK cents</i> )	10	<u>(1.03)</u>	<u>(1.21)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	<b>2023</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>368,177</b>	388,271
Investment property	<i>12</i>	<b>90,969</b>	101,666
Right of use asset		<b>3,185</b>	5,357
		<b>462,331</b>	495,294
<b>Current assets</b>			
Inventories		<b>351</b>	1,373
Trade and other receivables	<i>13</i>	<b>34,387</b>	54,817
Contract assets	<i>14</i>	<b>11,213</b>	660
Cash and bank balances		<b>42,642</b>	50,212
Secured bank deposits		<b>4,303</b>	–
		<b>92,896</b>	107,062
<b>Current liabilities</b>			
Trade and other payables, deposits received and accrued charges	<i>15</i>	<b>23,688</b>	31,634
Bank loans	<i>16</i>	<b>45,035</b>	38,406
Contract liabilities		<b>6,257</b>	5,980
Lease liabilities		<b>2,666</b>	4,240
Amount due to a director		–	30,000
Amount due to a related party		<b>10,602</b>	–
Amount due to a non-controlling shareholder of a subsidiary		<b>6,414</b>	6,414
Tax payables		<b>974</b>	394
		<b>95,636</b>	117,068
<b>Net current liabilities</b>		<b>(2,740)</b>	(10,006)
<b>Total assets less current liabilities</b>		<b>459,591</b>	485,288

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank loans	<i>16</i>	<b>73,000</b>	75,000
Lease liabilities		<b>755</b>	1,496
Accrued charges	<i>15</i>	<b>4,050</b>	–
Contingent consideration payable		–	5,072
Deferred tax liabilities		<b>2,973</b>	4,509
		<u><b>80,778</b></u>	<u>86,077</u>
<b>Net assets</b>		<u><b>378,813</b></u>	<u>399,211</u>
<b>EQUITY</b>			
Share capital		<b>39,328</b>	39,328
Reserves		<b>342,830</b>	362,988
		<u><b>382,158</b></u>	<u>402,316</u>
Equity attributable to owners of the Company		<b>382,158</b>	402,316
Non-controlling interests		<b>(3,345)</b>	(3,105)
		<u><b>378,813</b></u>	<u>399,211</u>
<b>Total equity</b>		<u><b>378,813</b></u>	<u>399,211</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 1 November 1991 under the Companies Act 1981 of Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, Church Street, Hamilton HM 11, Bermuda. Its principal place of business in Hong Kong is located at 7th Floor, Winland 800 Hotel, Hotel 2, Rambler Crest, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are engaged in the operation of Winland 800 Hotel, an 800-room hotel in Tsing Yi, New Territories, Hong Kong, as well as in the supply of furniture and building materials and provision of the design and fit-out construction service.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HK dollars”), which is also the functional currency of the Company.

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

#### (a) Adoption of amended HKFRSs

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2: Disclosure of Accounting Policies*

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. 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.

The application of the amendments has had no impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

#### *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.

The application of the amendments in the current year had no material impact on the consolidated financial statements of the Group.

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

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The application of the amendments in the current year had no material impact on the consolidated financial statements of the Group.

**(b) Amended HKFRSs that have been issued but are not yet effective**

The following 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, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised) <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

***Amendments to HKAS 1: Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)***

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.

The amendments clarify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. An entity is required to disclose information about these covenants in the notes to the financial statements.

HK Interpretation 5 (2022) was revised as a consequence of the Amendments to HKAS 1 issued in December 2022. The revision to HK Interpretation 5 (2022) 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 16: Lease Liability in a Sale and Leaseback***

The amendments add subsequent measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in HKFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

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

The amendments address an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

***Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements***

The amendments add a disclosure objective to HKAS 7 Cash flow statements stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 Financial Instruments: Disclosures was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

***Amendments to HKAS 21: Lack of Exchangeability***

The amendments specify when a currency is exchangeable into another currency and when it is not and how an entity estimates the spot exchange rate when a currency is not exchangeable. In addition, the amendments require disclosure of information that enables users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

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 Group's consolidated financial statements.

**(c) Application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong**

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap. 57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

The details of the impacts on each financial statement line item are set out in this Note. This change in accounting policy did not have material impact on the opening balance. As a result, there is no adjustment to the opening balance of retained profits as at 1 April 2023.

Impact on loss for the year ended 31 March 2024

	<i>HK’000</i>
Increase in administrative expenses	3,612
Increase in finance costs	111
	3,723
Net increase in loss for the year	3,723

### 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 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 2024 of HK\$20,398,000 and had net current liabilities of HK\$2,740,000 as of the same date. The economy environment is still weak and highly uncertain in the coming year. As impacted by weak economy environment, the construction industry is unstable and highly competitive.

For the purpose of assessing the Group's ability to continue as a going concern and the appropriateness of the use of the going concern basis for the preparation of these consolidated financial statements, the directors of the Company prepared a cash flow forecast ("Cash Flow Forecast") of the Group covering a period of 18-month from the end of the reporting period. When preparing the Cash Flow Forecast, the directors have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing as well as taken the following into account:

- (i) As at 31 March 2024, the Group had total banking facilities of HK\$225 million from various banks, of which HK\$107 million was unutilised and those facilities were available for coming years. The banking facilities are subject to a financial covenant related to the market value of collaterals and the directors of the Company made an assessment of the Group's ability for the ongoing compliance of the covenant and considered that it is unlikely that the Group will breach the loan covenants over the forecast period;
- (ii) Obtain an undertaking by the related party, which controlled by a director of a subsidiary, for not recalling the amount due to it until such time when the repayment will not compromise the Group's ability to repay other creditors;
- (iii) Continue to raise the weighting of hotel income from travel agents that provides a relatively stable income stream to the Group; and
- (iv) Continue to expand the business of the construction service and trading of building materials and furniture which showed promising performance for the current year.

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 in the foreseeable future and it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, the validity of the use of the going concern basis depends on the successful implementation of the above plans and measures. However, there are inherent uncertainties associated with the future outcomes of the plans and measures, including the successful achievement of the targeted occupancy rate and the renewal of agreements upon expiry with the travel agents for the hotel operations; generating adequate cash flow from the construction service and trading of building materials and furniture as mentioned in (iv) above. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group fail to continue 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 effects of these adjustments have 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. SEGMENT INFORMATION

##### (a) Operating segment information

The executive Directors of the Company are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive Directors of the Company that are used to make strategy decision.

During the year ended 31 March 2024, the Group has two reportable segments. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Hotel operation – letting of hotel rooms to both contracted and non-contracted sales agents and walk-in customers, food and beverage income, miscellaneous sales, and laundry services income net of discounts
- Trading of building materials and fit-out construction service – supply of furniture and building materials and provisions of the design and fit-out construction service

The segment revenue and results for the years ended 31 March 2024 and 2023:

	Hotel operation		Trading of building materials and fit-out construction service		Total	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
External revenue	<b>74,443</b>	44,702	<b>102,501</b>	81,660	<b>176,944</b>	126,362
Segment (loss)/profit before tax	<b>(9,670)</b>	(17,545)	<b>(1,356)</b>	2,794	<b>(11,026)</b>	(14,751)
Interest income	<b>339</b>	35	<b>229</b>	1	<b>568</b>	36
Interest expense	<b>(4,695)</b>	(2,071)	<b>(718)</b>	(116)	<b>(5,413)</b>	(2,187)
Depreciation of plant and equipment	<b>(20,095)</b>	(19,420)	<b>(1,961)</b>	(1,828)	<b>(22,056)</b>	(21,248)
Depreciation of right-of-use assets	–	–	<b>(4,548)</b>	(4,077)	<b>(4,548)</b>	(4,077)
(Provision)/reversal of impairment loss on trade receivables and contract assets, net	–	10	<b>(4,922)</b>	(491)	<b>(4,922)</b>	(481)
Income tax (credit)/expense	<b>728</b>	10,504	<b>(586)</b>	(388)	<b>142</b>	10,116
Reportable segment assets	<b>404,045</b>	430,565	<b>56,827</b>	65,940	<b>460,872</b>	496,505
Reportable segment liabilities	<b>(129,146)</b>	(127,402)	<b>(39,163)</b>	(56,943)	<b>(168,309)</b>	(184,345)
Additions to non-current assets	<b>251</b>	4,280	<b>4,148</b>	14,821	<b>4,399</b>	19,101

Reconciliation of reportable segment profit or loss, assets and liabilities are as follows:

	2024 <i>HK'000</i>	2023 <i>HK'000</i>
Loss of reportable segments before tax	<b>(11,026)</b>	(14,751)
Impairment loss on investment property	<b>(7,440)</b>	(7,215)
Depreciation on investment property	<b>(3,257)</b>	(3,482)
Change in fair value – contingent consideration	<b>5,072</b>	(2,075)
Other administrative expense	<b>(5,427)</b>	(6,398)
Other income	<b>724</b>	17
	<hr/>	<hr/>
Loss before tax	<b>(21,354)</b>	(33,904)
	<hr/>	<hr/>
	2024 <i>HK'000</i>	2023 <i>HK'000</i>
Reportable segment assets	<b>460,872</b>	496,505
Unallocated corporate asset		
– Investments properties	<b>90,969</b>	101,666
– Other receivables	<b>298</b>	222
– Certain cash and cash equivalents	<b>3,088</b>	3,963
	<hr/>	<hr/>
Consolidated total assets	<b>555,227</b>	602,356
	<hr/>	<hr/>
	2024 <i>HK'000</i>	2023 <i>HK'000</i>
Reportable segment liabilities	<b>(168,309)</b>	(184,345)
Amount due to a non-controlling shareholder of a subsidiary	<b>(6,414)</b>	(6,414)
Accounts payable and accruals	<b>(1,691)</b>	(11,578)
Deferred tax liabilities	<b>–</b>	(808)
	<hr/>	<hr/>
Consolidated total liabilities	<b>(176,414)</b>	(203,145)
	<hr/>	<hr/>

**(b) Geographical segment information**

The following table provides an analysis of the Group's revenue from external customers and non-current assets excluding financial instruments and deferred tax assets.

	External revenue by location of customers		Non-current assets by location of assets	
	2024 <i>HK'000</i>	2023 <i>HK'000</i>	2024 <i>HK'000</i>	2023 <i>HK'000</i>
Hong Kong	175,334	125,501	462,331	495,294
Macau	1,610	861	–	–
	<u>176,944</u>	<u>126,362</u>	<u>462,331</u>	<u>495,294</u>

**(c) Information about major customers**

Revenues from each of the major customers accounted for 10% or more of the Group's total revenue are set out below:

	2024 <i>HK'000</i>	2023 <i>HK'000</i>
Customer A	33,036	28,625
Customer B	32,990	–
Customer C	27,333	15,129
Customer D	20,578	–
	<u>113,937</u>	<u>43,754</u>

## 5. REVENUE AND OTHER INCOME

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales	71,540	39,607
– Food and beverage income	2,441	4,642
– Miscellaneous sales	239	79
– Laundry service income	223	374
	<u>74,443</u>	<u>44,702</u>
Trading of building materials and fit-out construction service		
– Trading of building materials and furniture	79,110	65,977
– Fit-out construction service in Hong Kong	23,391	15,683
	<u>102,501</u>	<u>81,660</u>
Total revenue	<u>176,944</u>	<u>126,362</u>
<b>Time of revenue recognition</b>		
– Over time	95,154	55,664
– At a point in time	81,790	70,698
Total revenue	<u>176,944</u>	<u>126,362</u>
<b>Other income</b>		
Bank interest income	1,292	38
Gain on disposal of property, plant and equipment	177	507
Government grants ( <i>Note</i> )	–	404
Sundry income	1,105	118
	<u>2,574</u>	<u>1,067</u>
	<u>179,518</u>	<u>127,429</u>

*Note:* The Group obtained government grants of HK\$404,000 for the year ended 31 March 2023 from the Government of Hong Kong Special Administrative Region and recognised directly under other income as subsidies for operation of hotel business.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract assets	11,213	660
Contract liabilities	<u>(6,257)</u>	<u>(5,980)</u>
	<u><b>4,956</b></u>	<u><b>(5,320)</b></u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provision of fit-out works. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

The contract liabilities mainly relate to the advance consideration received from walk-in customers for the hotel room sales and fit-out construction service. HK\$4,202,000 of the contract liabilities as at 1 April 2023 and HK\$1,044,000 of the contract liabilities as at 1 April 2022 has been recognised as revenue for the year ended 31 March 2024 and 2023 respectively from performance obligations satisfied when the hotel room sales and fit-out construction service were provided to the customers over time by reference to the progress toward complete satisfaction.

#### **Unsatisfied performance obligations**

As at 31 March 2024, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$64.9 million (2023: HK\$92 million). This amount represents revenue expected to recognise in the future from construction contracts and sales and purchase agreements from sales of building materials and furniture entered into with customers. The Group will recognise the expected revenue in the future when or as the work is completed, or control over the ownership of building materials and furniture has been passed to customers. These are expected to occur over the next 12 months.

## **6. FINANCE COSTS**

Finance costs comprise the following:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank loans ( <i>Note 16</i> )	7,183	1,836
Interest on amount due to a related party	410	235
Interest on lease liabilities	102	116
Interest on long service obligation	111	–
Bank charges	<u>421</u>	<u>691</u>
	<u><b>8,227</b></u>	<u><b>2,878</b></u>

## 7. LOSS BEFORE INCOME TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before income tax is arrived at after charging the following:		
Cost of services provided	107,949	82,044
Auditor's remuneration	1,200	1,320
Depreciation of property, plant and equipment	22,056	21,248
Depreciation of investment property	3,257	3,482
Depreciation of right of use asset	4,548	4,077
Gain on disposal of property, plant and equipment	(177)	(507)
Change in fair value of contingent consideration	(5,072)	2,076
Staff costs		
– Salaries and allowances ( <i>Note</i> )	52,050	33,725
– Retirement benefit cost	1,791	1,258
– Long service payments expense	3,612	69

*Note:* Included in salaries and allowances was an one-off subsidy of HK\$2,233,000 for the year ended 31 March 2023 granted from Employment Support Scheme under Anti-epidemic Fund of the Hong Kong SAR Government due to the COVID-19 pandemic. The Group is required to spend the subsidy on paying wages to employees and not to implement redundancies during the subsidy period. There were no unfulfilled conditions or obligation relating to these government subsidy.

## 8. INCOME TAX EXPENSE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<u>Current tax – Hong Kong Profits Tax</u>		
Provision for the year		
– At 16.5%	580	394
Deferred taxation		
Origination and reversal of temporary differences, net	(1,536)	(10,369)
Income tax expense	(956)	(9,975)

## 9. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2023: Nil).

## 10. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(20,158)</u>	<u>(23,765)</u>
Number of shares		
Weighted average number of ordinary shares ('000) for the purpose of basic loss per share	<u>1,966,387</u>	<u>1,966,387</u>

No dilutive loss per share is presented as there was no potential ordinary shares in issue during the years ended 31 March 2024 and 2023.

## 11. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both years. During the year ended 31 March 2024, additions to property, plant and equipment approximately amounted to HK\$2,023,000 (2023: HK\$9,666,000).

## 12. INVESTMENT PROPERTY

The fair value of the leasehold land as at 31 March 2024 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\$130 to HK\$184 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 commercial property as at 31 March 2024 was approximately HK\$85,000,000. 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\$83,949,000. At the end of reporting period, an impairment loss of HK\$7,440,000 was recognised as the commercial properties market in Hong Kong was deteriorated during to recession of global economic environment due the year ended 31 March 2024.

The fair value of commercial property is determined based on the market observable comparable prices of similar properties ranging from HK\$42,836 to HK\$49,478 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.



### 13. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	26,887	41,789
<i>Less: Provision for impairment loss (note a)</i>	<u>(4,539)</u>	<u>(5,031)</u>
	<u>22,348</u>	<u>36,758</u>
Retention receivable	6,373	2,082
<i>Less: Provision for impairment loss (note b)</i>	<u>(350)</u>	<u>–</u>
	6,023	2,082
Deposits, prepayments and other receivables	<u>6,016</u>	<u>15,977</u>
	<u>34,387</u>	<u>54,817</u>

*Note (a):*

For hotel operation, the Group allows an average credit period of one week (2023: one week) to its trade customers. All trade receivables are expected to be recovered within one year. For construction business, the Group allows maximum credit period of 2 months to its trade customers. The following is an aging analysis of trade receivables, based on invoice date, at the end of the reporting period:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	11,192	31,095
Over 30 days but less than 60 days	1,544	2,153
Over 60 days but less than 90 days	4,734	3,915
Over 90 days	<u>9,417</u>	<u>4,626</u>
	26,887	41,789
<i>Less: Allowance for impairment losses (i) and (ii)</i>	<u>(4,539)</u>	<u>(5,031)</u>
	<u>22,348</u>	<u>36,758</u>

- (i) Under the segment of hotel operation, as at 31 March 2024, the allowance for doubtful debts had been revised to nil (2023: HK\$4,540,000). The movement in the allowance for doubtful debts during the year is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 April	4,540	4,550
Reversal of impairment loss for the year	–	(10)
Write off	<u>(4,540)</u>	<u>–</u>
At 31 March	<u>–</u>	<u>4,540</u>

- (ii) Under the segments of trading of building materials and fit-out construction, trade receivables have been grouped based on shared credit risk characteristics and the days past due. 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 April	491	–
Impairment loss recognised for the year	<u>4,048</u>	<u>491</u>
At 31 March	<u>4,539</u>	<u>491</u>

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 due date and grading respectively:

**As at 31 March 2024**

	Not past due
<b>Hotel operation</b>	
Expected loss rate (%)	0.00%
Gross carrying amount ( <i>HK\$'000</i> )	602
Expected credit losses ( <i>HK\$'000</i> )	–

**Trading of building materials and fit-out construction service**

	Not past due	Within 30 days	Over 30 days but less than 60 days	Over 60 days but less than 90 days	Over 90 days	Total
Expected loss rate (%)	5.29%	14.29%	22.91%	41.38%	67.37%	
Gross carrying amount ( <i>HK\$'000</i> )	16,687	154	3,946	3,748	1,750	26,285
Expected credit losses ( <i>HK\$'000</i> )	883	22	904	1,551	1,179	4,539

	Current	Within 30 days	Over 30 days but less than 60 days	Over 60 days but less than 90 days	Over 90 days	Total
As at 31 March 2023						
<b>Hotel operation</b>						
Expected loss rate (%)	0.00%	–	–	–	100.00%	
Gross carrying amount ( <i>HK\$'000</i> )	480	–	–	–	4,540	5,020
Expected credit losses ( <i>HK\$'000</i> )	–	–	–	–	4,540	4,540

**Trading of building materials and fit-out construction service**

	Group A	Group B	Total
Credit rating			
Expected loss rate (%)	0.00%	1.81%	
Gross carrying amount ( <i>HK\$'000</i> )	9,605	27,163	36,768
Expected credit losses ( <i>HK\$'000</i> )	–	491	491

Under the segment of hotel operation, an impairment analysis was performed at 31 March 2024 and 2023 using a provision matrix to measure expected credit losses. The provision rates are based on due date or credit rating 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.

Under the segment of trading of building materials and fit-out construction, an impairment analysis was performed at 31 March 2024 by using grouped based on shared credit risk characteristics and the days past due. The provision rates are based on due 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. For the year ended 31 March 2023, an impairment analysis was performed using the probability of default method to measure expected credit losses. 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.

*Note (b):*

The Group typically agrees 5% of the total contract sum as retention monies, of which half will generally be released after the issue of the certificate of practical completion and the remaining portion will be released after the warranty period. The Group generally provides their customers with one to two years warranty period from the date of the practical completion of the project. Upon the expiration of maintenance period, the customers will provide a warranty certificate and pay the retentions within the term specified in the contract. The Group applies the by using grouped based on shared credit risk characteristics and the days past due.

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Retention receivable	<b>6,373</b>	2,082
Less: Allowance for impairment losses	<b>(350)</b>	–
	<b><u>6,023</u></b>	<b><u>2,082</u></b>

The movement in the allowance for doubtful debts during the year is as follows:

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 April	–	–
Impairment loss recognised for the year	<b>350</b>	–
At 31 March	<b><u>350</u></b>	<b><u>–</u></b>

#### 14. CONTRACT ASSETS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract assets		
Fit-out construction service, net	11,737	660
Less: Allowance for impairment losses	<u>(524)</u>	<u>–</u>
	<u><b>11,213</b></u>	<u><b>660</b></u>

Contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed and not billed because the rights are conditioned on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers its contract assets to trade receivables when progress certificate/invoice is issued.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Contract assets have been grouped based on shared credit risk characteristics and the days past due. The movement in the allowance for doubtful debts during the year is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 April	–	–
Impairment loss recognised for the year	<u>524</u>	<u>–</u>
At 31 March	<u><b>524</b></u>	<u><b>–</b></u>

#### 15. TRADE AND OTHER PAYABLES, DEPOSIT RECEIVED AND ACCRUED AND CHARGE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current portion:		
Trade Payable ( <i>Note a</i> )	8,834	12,944
Accrued charges ( <i>Note b</i> )	5,271	9,614
Deposit Received ( <i>Note c</i> )	7,985	6,110
Other payables ( <i>Note d</i> )	<u>1,598</u>	<u>2,966</u>
	<b>23,688</b>	31,634
Non-Current portion:		
Accrued charges ( <i>Note b</i> )	<u>4,050</u>	<u>–</u>
	<u><b>27,738</b></u>	<u><b>31,634</b></u>

- (a) The ageing analysis of trade payables of the Group, based on invoice date, as at the end of the year is as follows:

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	<b>6,132</b>	12,900
Over 1 month but within 2 months	<b>2,506</b>	44
Over 2 months but within 3 months	<b>196</b>	–
	<b>8,834</b>	12,944

- (b) The balance includes the provision for long service payment of HK\$4,364,000 (2023: HK\$640,000).
- (c) The balance represents the deposit received from contract agents in accordance with the annual room sales contract where the agents are required to prepay one month room charge as deposit.
- (d) Other payables mainly represent the payable regarding laundry fee for hotel daily operations HK\$478,000 and sales commission payable of construction services of HK\$326,000.

The directors of the Company considered the carrying amounts of other payables and accruals approximate to their fair values.

## 16. BANK LOANS

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Secured:		
Letter of Credit ( <i>Note c</i> )	<b>3,161</b>	–
Export invoice financing ( <i>Note c and d</i> )	<b>2,906</b>	–
Bank term Loans ( <i>Note a, b and e</i> )	<b>111,968</b>	113,406
	<b>118,035</b>	113,406
Current portion ( <i>Note e and f</i> )	<b>45,035</b>	38,406
Non-Current portion ( <i>Note e and f</i> )	<b>73,000</b>	75,000
	<b>118,035</b>	113,406

- (a) As at 31 March 2024, the bank term loans of HK\$36 million and HK\$75 million are secured by the first legal charge of the commercial property and hotel property of the Group respectively, carried at a variable interest rate with reference to HIBOR. The effective interest rate of the bank term loans are 5.48% per annum and 6.24% per annum respectively.
- (b) The bank term loans are secured by the corporate guarantee from the Company, the corporate guarantee from a related company controlled by a Director of the Company.
- (c) The letter of credit and export invoice financing are secured by cash deposit, carried at a variable interest rate with reference to HIBOR. They are also secured by the personal guarantee from a director of the Company, and 51% is secured by the corporate guarantee from the Company.
- (d) For export invoice financing, since the Group has retained substantial risks and rewards relating to the trade receivables including default risks, the trade receivables are regarded as transferred financial assets that should not be derecognised. Accordingly, the trade receivables and the corresponding proceeds of borrowings with same amount as the trade receivables continued to be recognised in the consolidated financial statements even though the trade receivables have been legally transferred to banks. In the event of default by the debtors, the Group is obliged to pay the banks the amount in default.

- (e) Bank term loan of carrying amount of HK\$35 million as at 31 March 2024 are repayable within one year to two years after the end of the reporting period pursuant to the repayment schedule included in the loan agreement, with repayment on demand clause, has been classified as current liability as at 31 March 2024 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.
- (f) Based on the scheduled repayment dates set out in the loan agreements, the amounts repayable in respect of the loans are as follows:

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
On demand or within one year	<b>10,075</b>	406
More than one year, but not exceeding two years	<b>38,960</b>	2,000
More than two years, but not exceeding five years	<b>69,000</b>	111,000
	<b>118,035</b>	113,406
Carrying amount of bank loans for repayment after one year which contain a repayment on demand clause (shown under current liabilities) ( <i>Note e</i> )	<b>34,960</b>	38,000

## 17. 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 since 14 October 2020 took place and 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”) in the action. 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 issued a Notice of Appeal to the Court of Appeal (CACV no. 26 of 2021) against the Judgment (the “Appeal”). The Group’s legal counsel was planned to 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 2023. As at 31 March 2023, the Group had made a provision of HK\$3,800,000 for the settlement of case, including legal expenses. During the year, the settlement proposal of HK\$3,500,000 was agreed between the parties and the Group had fully settled the amount.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

The Group business mainly comprises of the operation of a 800-room hotel in Tsing Yi, New Territories, Hong Kong and the trading of building materials and operating fit-out construction projects.

In relation to hotel industry, our performance in this sector is very much depended on the incoming of travelers, especially those coming from Mainland China whose travel habits are undergoing change from overnight visitors to day trippers which change poses new challenges to Hong Kong travel industry. In 2023, a total of 34 million visitors entered the city of which 17.159 million were overnight visitors. The average occupancy rate of hotels jumped to 82.5% in 2023 up from 66% in 2022. While overall visitor numbers were still off the 2018 figure of 65 million annual visitors and 29.6 million overnight visitors, the improving trajectory is what the hotel sector greatly needed.

The International Air Transport Association (the “IATA”) in Geneva announced that total traffic in 2023 (measured in revenue passenger kilometers or RPKs) rose 36.9% compared to 2022. Globally, full year 2023 traffic was at 94.1% of pre-pandemic (2019) levels. International traffic in 2023 climbed 41.6% versus 2022 and reached 88.6% of 2019 levels. Domestic traffic for 2023 rose 30.4% compared to the prior year. 2023 domestic traffic was at 3.9% above the full year 2019 level.

The Director General of IATA said that the pandemic years are behind people and borders are open as normal. Despite economic uncertainties, people are flying to reconnect, explore, and do business. Latest data show passenger traffic at over 90% of 2019 levels. Airports are busier, hotel occupancy is rising, local economies are reviving, and the airline industry has moved into profitability.

Further than that, expansion of Individual Visit Scheme Covering 59 cities in Mainland was announced for expanding the Individual Visit Scheme to 8 Mainland cities from 27 May 2024. They are Taiyuan (Shanxi), Hohhot (Inner Mongolia), Harbin (Heilongjiang), Lhasa (Tibet), Lanzhou (Gansu), Xining (Qinghai), Yinchuan (Ningxia) and Urumqi (Xinjiang). The 8 newly added cities are all provincial capitals and have a combined population of over 33 million and command enormous spending capability.

Turning to the construction industry which foster our business for trading of building materials and fit out construction projects; the Secretary for Development, Ms. Bernadette Linn announced in February 2023 that the 2023-24 Land Sale Programme comprises 12 residential sites capable of providing about 9,120 flats. Apart from the 12 sites for sale, railway property development projects by MTR Corporation Limited (the “MTRCL”) and projects of the Urban Renewal Authority (the “URA”) will also contribute to private housing land supply in 2023-24. Taking into consideration the forecasted land supply from Government land sale, projects of the MTRCL and the URA, as well as private development/redevelopment projects, the total potential private housing land supply in 2023-24 is estimated to have a capacity to produce about 20,550 flats.

The completion of new flats will inevitably contribute to robust demands for provisions of building materials and fitting out construction works.

On the flip side, the industry is facing strong competition which diminish the profit margin of projects, and the demand for luxurious building materials have generally declined due to lackluster economic growth.

## **BUSINESS REVIEW**

### **Hotel Operation**

The Group operates the Winland 800 Hotel, a 800-room hotel located at Tsing Yi, New Territories, Hong Kong, which maintained an average occupancy rate of approximately 98% for the year under review. Revenue increased when compared to last year as resulted from increase in both occupancy rate and average room rate.

Because of recovery of incoming travelers to Hong Kong, the Group has also shifted the customer's basis from domestic long-staying guests to overseas and PRC visitors.

### **Trading of building materials and fit-out construction operation**

In April 2022, the Group acquired majority equity interests in Winland Firmstone, a company which operated in the trading of building materials and fit-out construction projects.

The core business of Winland Firmstone includes but not limited to supply of imported European high-end kitchen cabinet, furniture and decorative lighting, supply of a wide range of building materials including ceramic tiles, mosaics, carpet and fabrics etc; supply of high quality natural stones and provision of design and construction service for fit-out projects. Some major customers of Winland Firmstone include leading property developers in Hong Kong.

The Group generated revenue from trading of building materials and fit-out construction operation of approximately HK\$102.5 million for the year under review.



## **PROSPECTS**

The world in 2024 continues to face territorial conflicts and interlocking challenges: the Russo-Ukraine conflict; the Israeli – Palestine conflict; rising food and fuel prices, the fight against inflation and more importantly, the uncertain post-pandemic economic recovery speed from mainland China.

In 3 June 2024, Hong Kong Government launched a campaign to promote good hospitality in the city and provide better services to visitors to make them feel welcome and to make courtesy and good services a priority in all sectors. One can discern that the Government continues to boost up the travel industry and keeping the industry as one of the pillars in the Hong Kong economy.

We are hoping that with the further relaxation of visa requirements allowing more travelers from major provincial capital in Mainland to visit Hong Kong and the investment of the Government in bolstering the industry, our hotel operation will continue to harvest from such development.

Despite such optimism, our business in supply of building materials and installation services continue to pose great challenges due to the general slow down of the property market and the demands for luxurious products, and rising operation costs, the management will make regular review and supervision to ensure the business remain healthy and adjust business mix if circumstances demand.

The current land sale programme highlights that the availability of residential sites has reached an unprecedented low level which reflects the government's strategic decision to curtail the rate of new site releases as a short term measure. This will inevitably impact on the supply of new residential units in the coming future and hence further limit the demands for building materials. From this prospective, the management remains cautiously reserved on the business development in the segment relating to building materials and related works.

Despite our directors are uncertain about the long-term prospect of the trade in building materials, they remain flexible and adaptable to respond to changing environment and are prepared to make decisions to change business modules, chart into new markets to meet changing customer needs in order to take the business of the Group to a new level.

The Group has always been active in 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.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group for the year ended 31 March 2024 amounted to approximately HK\$176.9 million (2023: HK\$126.4 million), representing a significant increase of 40% as compared to same period last year. Since the Group has two reportable segments, the segment revenue generated from the hotel operation was approximately HK\$74.4 million (2023: HK\$44.7 million), representing an increase of 67% as compared with same period last year due to the improved room rate and occupancy. Regarding trading of building materials and fit-out construction operation, the segment revenue for the year ended 31 March 2024 was approximately HK\$102.5 million (2023: HK\$81.7 million).

### **Gross profit and gross profit margin**

Gross profit of the Group for the year ended 31 March 2024 amounted to approximately HK\$69.0 million (2023: HK\$44.3 million), comprised of gross profit from hotel operation of approximately HK\$40.3 million (2023: HK\$24.3 million) and gross profit from trading of building materials and fit-out construction projects of approximately HK\$28.6 million (2023: HK\$20.0 million).

Gross profit margin of the Group for the year ended 31 March 2024 was 39.0% (2023: 35.1%). Gross profit margin for the hotel operation for current year was 54.2% (2023: 54.4%) and gross profit margin for the trading of building materials and fit-out construction operation for current year was 27.9% (2023: 24.5%).

### **Administrative and other operating expenses**

The administrative and other operating expenses of the Group for the year ended 31 March 2024 were approximately HK\$36.0 million (2023: HK\$34.6 million), mainly comprised of expenses for the hotel operation of approximately HK\$25.2 million (2023: HK\$20.3 million), the expenses for the trading of building materials and fit-out construction operation of approximately HK\$12.8 million (2023: HK\$6.9 million).

### **Selling and distribution expenses**

The selling and distribution expenses of the Group for the year ended 31 March 2024 were approximately HK\$6.5 million (2023: HK\$5.3 million), the whole amount were incurred for the trading of building materials and fit-out construction operation.

### **Loss for the year**

The loss after income tax of the Group for the year was approximately HK\$20.4 million (2023: HK\$23.9 million). The loss was decreased by 14.6% which was mainly attributed from the increase of revenue of the Group.

## **Liquidity, Financial Resources and Capital Structure**

During the year under review, cash flow of the Group was mainly generated from the hotel operations and bank borrowings. As at 31 March 2024, the Group's total borrowings, including the bank borrowings, amount due to a director and amount due to a related party amounted to approximately HK\$128.6 million compared with approximately HK\$143.4 million as at 31 March 2023.

As at 31 March 2024, cash and bank balances amounted to approximately HK\$42.6 million compared with cash and bank balances of approximately HK\$50.2 million last year. The Group's net assets as at 31 March 2024 amounted to approximately HK\$378.8 million, which decreased from approximately HK\$399.2 million as at 31 March 2023, mainly due to depreciation and impairment loss on investment property.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 33.9% as at 31 March 2024 compared with approximately 35.9% as at 31 March 2023. 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 22.7% compared with approximately 23.3% last year.

Of the Group's bank loan as at 31 March 2024, approximately HK\$10.0 million would be due within one year or on demand and approximately HK\$108.0 million would be due for repayment after one year. The above bank loans were denominated in HK\$ and bear a variable interest rate and secured by the hotel property and commercial 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.

Total equity of the Group as at 31 March 2024 was approximately HK\$378.8 million while there was approximately HK\$399.2 million as at 31 March 2023. Total equity attributable to owners of the Company as at 31 March 2024 was approximately HK\$382.2 million while there was approximately HK\$402.3 million as at 31 March 2023. The decrease in equity was mainly due to the loss recorded for the year.

### **Treasury Policies**

The Group generally financed its operations with internally generated resources and credit facilities. Bank deposits are denominated in HK\$.

### **Material Acquisitions and Disposals**

The Group did not make any material acquisitions and disposals as at 31 March 2024.

### **Significant Investments Held**

The Group did not have any significant investments held as at 31 March 2024.

## **Employee Information and Emolument Policy**

As at 31 March 2024, the total number of employees of the Group was 157 (2023: 134). 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.

## **Pledge of assets**

As at 31 March 2024, the hotel property and commercial property with net book value of approximately HK\$440.0 million were pledged for bank borrowings in the amount of approximately HK\$112.0 million.

## **Contingent Liabilities**

At the date of approval of these consolidated financial statements, the Company provided a financial guarantee to a bank for the banking facilities of an aggregate amount of approximately HK\$145,700,000 (2023: HK\$224,500,000) granted to its subsidiaries. The amount utilized by the subsidiaries amount to approximately HK\$78,094,000 (2023: HK\$113,406,000) as at 31 March 2024. 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 2024 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 2024, the Group had no commitment (2023: Nil) which has been contracted but not yet been provided for acquisition of property, plant and equipment.

## **Foreign currency exposure**

As the Group operates the two segment businesses in Hong Kong, all of the revenue were settled in Hong Kong dollar. The Group pays some suppliers for trading of building materials and fit-out construction business in USD and Euro. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties.

As at 31 March 2024, all of the bank borrowings of the Group were made in HK dollars and cash and bank balances were in HK dollars also. As at the date of this announcement, the Group did not implement any foreign currencies and interest rates hedging policies. The Group will closely monitor the change in foreign exchange rates to manage currency risks and evaluate necessary actions as required.

## **Future Plans for Material Investments or Capital Assets**

As at the date of this announcement, the Group did not have any plans for material investments or capital assets.

## **EVENT AFTER THE END OF THE REPORTING PERIOD**

Save as disclosed in this announcement, there were no other important events affecting the Group that have occurred since 31 March 2024 and up to the date of this announcement.

## **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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors of the Company, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set in Appendix C1 (formerly 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.

## **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 C3 (formerly 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.

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed with the management and our Group's external auditor the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2024.

## **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT**

The following is an extract from the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 March 2024. The report includes an emphasis of matter, without qualification.

### **Opinion**

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 2024, 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.

### **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 2024 of HK\$20,398,000 and had net current liabilities of HK\$2,740,000 as of the same date. These conditions, along with other matters as set forth in Note 3(b), indicate that the existence of 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.

### **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.mexanhk.com](http://www.mexanhk.com) under “Announcements”. The annual report for the year ended 31 March 2024 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board  
**MEXAN LIMITED**  
**Lun Yiu Kay Edwin**  
*Chairman*

Hong Kong, 26 June 2024

*As at the date of this announcement, the Executive Directors are Mr. Lun Yiu Kay Edwin (Chairman) and Mr. Ng Ka Kit and the Independent Non-Executive Directors are Dr. Tse Kwing Chuen, Mr. Lau Shu Kan and Mr. Chao Howard.*