



MEXAN LIMITED
茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

Interim Report | 2021/22

This interim 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 interim report posted on the Company Website will promptly upon request be sent the interim 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 interim 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, Wanchai, Hong Kong or by sending an email to the Hong Kong Branch Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

Shareholders who have chosen to receive printed copy of the Corporate Communication in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

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

HM 11

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 REGISTRAR

MUFG Fund Services

(Bermuda) Limited

26 Burnaby Street

Hamilton

HM 11

Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

WEBSITE

www.mexanhk.com

STOCK CODE

22

The board (the “Board”) of directors (the “Directors”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021. The results have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021 together with the comparative figures for the corresponding previous period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Unaudited Six months ended 30 September	
	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	15,586	8,947
Direct costs		(8,956)	(8,204)
		<hr/>	<hr/>
Gross profit		6,630	743
Other income	5	150	491
Administrative and other operating expenses		(11,521)	(11,725)
Depreciation and amortisation		(10,813)	(10,326)
Decrease of impairment loss on trade receivables		650	745
Finance costs	7	(696)	(763)
		<hr/>	<hr/>
Loss before income tax	8	(15,600)	(20,835)
Income tax expense	9	(799)	(3,336)
		<hr/>	<hr/>
Loss and total comprehensive income for the period		(16,399)	(24,171)
		<hr/> <hr/>	<hr/> <hr/>
Loss and total comprehensive income attributable to:			
Owners of the Company		(16,325)	(24,038)
Non-controlling interests		(74)	(133)
		<hr/>	<hr/>
		(16,399)	(24,171)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to owners of the Company – basic and diluted (HK cents)	10	(0.830)	(1.222)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	402,997	409,139
Investment property		118,773	120,585
		521,770	529,724
Current assets			
Inventories		110	108
Trade and other receivables	13	1,135	1,332
Amount due from a related party	16(a)	–	28
Tax recoverable		25	25
Cash and bank balances		13,284	26,759
		14,554	28,252
Current liabilities			
Other payables, deposits received and accrued charges		7,599	8,643
Bank loans	14	56,696	61,676
Contract liabilities		768	796
Amount due to a non-controlling shareholder of a subsidiary	16(a)	6,414	6,414
		71,477	77,529

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2021

		Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
	Notes		
Net current liabilities		(56,923)	(49,277)
Total assets less current liabilities		464,847	480,447
Non-current liabilities			
Deferred tax liabilities		13,503	12,704
Net assets		451,344	467,743
EQUITY			
Share capital	15	39,328	39,328
Reserves		414,834	431,159
Equity attributable to owners of the Company		454,162	470,487
Non-controlling interests		(2,818)	(2,744)
Total equity		451,344	467,743

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Audited)								
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 period	-	-	-	-	(24,038)	(24,038)	(133)	(24,171)
(Unaudited)								
At 30 September 2020	39,328	204,834	129	104,874	140,547	489,712	(2,623)	487,089
(Audited)								
At 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 period	-	-	-	-	(16,325)	(16,325)	(74)	(16,399)
(Unaudited)								
At 30 September 2021	39,328	204,834	129	104,874	104,997	454,162	(2,818)	451,344

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

		Unaudited Six months ended 30 September	
	Notes	2021 HK\$'000	2020 HK\$'000
Operating activities			
Loss before income tax		(15,600)	(20,835)
Interest income	5	–	(91)
Interest expense	7	409	735
Depreciation of property, plant and equipment	8	9,001	8,917
Depreciation of investment property	8	1,812	1,409
Provision for impairment loss on property, plant and equipment		–	–
Decrease of impairment loss on trade receivables		(650)	(745)
Loss on disposal of property, plant and equipment		1	1
<hr/>			
Operating loss before working capital changes		(5,027)	(10,609)
(Increase)/Decrease in inventories		(2)	4
Decrease in trade and other receivables		847	2,043
(Decrease)/Increase in other payables, deposits received and accrued charges		(1,044)	872
(Decrease)/Increase in contract liabilities		(28)	311
Decrease/(Increase) in amount due from a related party		28	(70)
<hr/>			
Net cash used in operations		(5,226)	(7,449)
Interest received		–	91
Interest paid		(426)	(735)
Income tax paid		–	(1)
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Net cash used in operating activities		(5,652)	(8,094)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 September 2021

	Notes	Unaudited Six months ended 30 September 2021 HK\$'000	2020 HK\$'000
Investing activities			
Purchases of property, plant and equipment		(2,860)	(400)
Proceeds from disposal of property, plant and equipment		-	1
Net cash used in investing activities		(2,860)	(399)
Financing activities			
Drawdowns of bank loans		-	30,003
Repayment of bank loans		(4,963)	(4,898)
Advances from a related party		-	81,000
Repayment to a related party		-	(90,012)
Net cash (used in)/generated from financing activities		(4,963)	16,093
(Decrease)/Increase in cash and cash equivalents		(13,475)	7,600
Cash and cash equivalents at beginning of period		26,759	7,760
Cash and cash equivalents at end of period		13,284	15,360
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		13,284	15,360

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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 interim report. The Company is an investment holding company. The Company and its subsidiaries are collectively referred to as the “Group”.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2021 (the “Unaudited Condensed Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 29 November 2021.

The Unaudited Condensed Interim Financial Statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2021. Details of any changes in accounting policies are set out in note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) have no material effect on the Unaudited Condensed Interim Financial Statements.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (Continued)

The preparation of the Unaudited Condensed Interim Financial Statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the Unaudited Condensed Interim Financial Statements and their effect are disclosed in note 4.

The Unaudited Condensed Interim Financial Statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. The Unaudited Condensed Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The Unaudited Condensed Interim Financial Statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2021 consolidated financial statements.

The Unaudited Condensed Interim Financial Statements has been prepared on a going concern basis, notwithstanding the fact that the Group had a net current liabilities of HK\$56,923,000 (31 March 2021: HK\$49,277,000 (audited)) as at 30 September 2021.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (Continued)

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

- (i) On 23 September 2020, the Group was granted an additional banking facility of revolving loan of HK\$100 million by a bank in Hong Kong which was interest-bearing at 1.4% p.a. over Interbank Offered Rate (“IBOR”) at a time as determined by the bank. The banking facility including the existing instalment loan and the new revolving loan is secured by the hotel property, a joint and several corporate guarantees provided from the Company and a related company controlled by a director of the Company, and a personal guarantee provided by a director of the Company. As at 30 September 2021 and the date of approval of these consolidated financial statements, HK\$50 million and HK\$60 million of the revolving loan facility was utilized respectively. As at 30 September 2021 and the date of approval of these consolidated financial statements, HK\$7 million and HK\$5 million of the instalment loan facility were utilised respectively. The remaining loan facilities are expected to be the available source of fund to ensure sufficiency of working capital.
- (ii) The Group has bank instalment loan with carrying amount of HK\$6,648,000 as at 30 September 2021 (31 March 2021: HK\$11,613,000), of which nil (31 March 2021: HK\$1,668,000) was repayable more than one year after the end of the reporting period pursuant to the repayment schedule. As such bank loan contains a repayment on demand clause, the whole instalment loan was classified as current liability. Taking into account the Group’s financial position and the value of the hotel property pledged for the loans, the directors believe that the bank will not exercise its discretionary rights to demand immediate repayment of the bank instalment loan and the bank loan is expected to be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (Continued)

Based on the above, the directors are satisfied that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements within the next twelve months from the end of the reporting period and it is appropriate to prepare the Unaudited Condensed Interim Financial Statements on a going concern basis.

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

3. CHANGES IN ACCOUNTING POLICIES

In current interim period, the Group has applied, for the first time, the following revised HKFRSs issued by the HKICPA, which relevant to and effective for of the Group's consolidated financial statements for the annual financial period beginning on or after 1 April 2021.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The above revised HKFRSs did not have any material impact on the Group's accounting policies.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

Amendments to HKFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In April 2021, the HKICPA amended HKFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorised for issue at 9 April 2021.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the Unaudited Condensed Interim Financial Statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2021 annual financial statements.

As mentioned in note 2, the directors do not consider that there are material uncertainties that cast doubt on the Group's going concern status over the course of the next twelve months, including the consideration of the effects from COVID-19 pandemic to the financial performance of the Group. This judgement was made with consideration of the Group's liquidity position, given the availability of undrawn finance facilities in place and the Group's cash flows forecast based on the assumptions explained in note 2. The forecast indicates that it is appropriate for the going concern basis to be adopted in preparing the interim report and financial statements, and that there are no material uncertainties over the assumptions underpinning this judgement that are required to be disclosed.

5. 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:

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales to non-contracted sales agents and walk-in customers	12,962	7,836
– Food and beverage income	2,458	1,106
– Miscellaneous sales	17	5
– Laundry service income	149	–
	15,586	8,947
Time of revenue recognition		
– Over time/Over the lease term	12,962	7,836
– At a point in time	2,624	1,111
	15,586	8,947
Other income		
Bank interest income	–	91
Government grants (Note)	150	400
	150	491

5. REVENUE AND OTHER INCOME (Continued)

Note: The Group obtained government grants of HK\$150,000 for the six months period ended 30 September 2021 (2020: HK\$400,000) from the Government of Hong Kong Special Administrative Region and recognised directly under other income as subsidies for operation of hotel business.

6. SEGMENT INFORMATION

The Group has only one reportable operating segment which is hotel operation. No operating segments have been aggregated to form the above reportable operating segment.

7. FINANCE COSTS

Finance costs comprise the following:

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Interest on bank loans	409	133
Interest on amount due to a related party	–	602
Bank charges	287	28
	<hr/>	<hr/>
	696	763
	<hr/>	<hr/>

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging the following:

	Unaudited Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Cost of service provided	8,956	8,204
Depreciation of property, plant and equipment	9,001	8,917
Depreciation of investment property	1,812	1,409
Staff costs	10,606	9,691

9. INCOME TAX EXPENSE

Hong Kong profits tax is provided at the rate of 16.5% on the estimated assessable profits of all corporations in the Group for the six months ended 30 September 2021 and 2020.

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

	Unaudited Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Current tax – Hong Kong profits tax	–	(3)
Deferred taxation	799	3,339

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:

	Unaudited	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to owners of the Company	(16,325)	(24,038)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	1,966,388	1,966,388

No dilutive loss per share is presented as there was no potential ordinary shares in issue during the six months ended 30 September 2021 and 2020.

11. INTERIM DIVIDEND

The directors do not recommend the payment of dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil). During the six months ended 30 September 2021, additions to property, plant and equipment approximately amounted to HK\$2,860,000 (six months ended 30 September 2020: HK\$400,000).

13. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Trade receivables	5,161	5,892
Less: Provision for impairment loss	(4,910)	(5,560)
	251	332
Deposits, prepayments and other receivables	884	1,000
	1,135	1,332

The Group allows an average credit period of one week (31 March 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:

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Within 30 days	251	332

14. BANK LOANS

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Secured:–		
Bank instalment loan (Note a)	6,648	11,613
Bank revolving loan (Note b)	50,048	50,063
	<hr/> 56,696 <hr/>	<hr/> 61,676 <hr/>

- (a) The bank instalment loan is denominated in HK\$, carried at a variable interest rate with reference to HIBOR. At 30 September 2021, effective interest rate of the bank instalment loan is 0.75% per annum (31 March 2021: 1.15% per annum).
- (b) The bank revolving loan is denominated in HK\$, carried at a variable interest rate with reference to IBOR as determined by the bank. At 30 September 2021, effective interest rate of the bank revolving loan is 1.49% per annum (31 March 2021: 1.62% per annum).
- (c) The bank loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company, corporate guarantee from a related company controlled by a Director and personal guarantee from a Director.

14. BANK LOANS (Continued)

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

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
On demand or within one year	56,696	60,008
More than one year, but not exceeding two years	-	1,668
	<hr/>	<hr/>
Bank loans	56,696	61,676
	<hr/> <hr/>	<hr/> <hr/>
Carrying amount of bank loan for repayment after one year which contains a repayment on demand clause (shown under current liabilities)	-	1,668
	<hr/> <hr/>	<hr/> <hr/>

15. SHARE CAPITAL

	30 September 2021 (Unaudited)		31 March 2021 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.02 each	3,000,000,000	60,000	3,000,000,000	60,000
Issued and fully paid:				
Ordinary shares of HK\$0.02 each	1,966,387,866	39,328	1,966,387,866	39,328

16. RELATED PARTY TRANSACTIONS

As at 30 September 2021, 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. Details of transactions between the Group and other related parties are disclosed below.

- Amount due from a related party and amount due to a non-controlling shareholder of a subsidiary are unsecured, interest-free and repayable on demand.
- During the period, the Group entered into the following transactions with the related parties:

Related party relationship	Type of transaction	30 September 2021 HK\$'000	30 September 2020 HK\$'000
Company controlled by the director	Recharge of staff cost	29	356

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group mainly focused on the operation of Winland 800 Hotel, a 800-room hotel in Tsing Yi, New Territories, Hong Kong. For the six months ended 30 September 2021, revenue generated from the hotel business was approximately HK\$15.59 million (2020: HK\$8.95 million), representing a significant increase of 74.2% as compared with same period in 2020. The loss after income tax for the period was approximately HK\$16.40 million (2020: HK\$24.17 million). The loss was decreased by 32.1% for the six months ended 30 September 2021, which was attributed to the growth in revenue. Through the promotion of long-stay packages, the Group's hotel business had shown much better performance as compared with same period last year.

Uncertainty is still a significant adverse factor to business outlook with travel recovery and borders closing lacking noticeable improvement. Impact of the stringency of lockdown measures on COVID-19 and quarantine policies still looms the world. With the existence of COVID-19 pandemic, it is difficult to predict that international air travel will soar again in near future.

It transpires that Singapore and Hong Kong will no longer launch travel bubble for quarantine-free travel between the two cities. Many places in mainland China have reported a resurgence in daily COVID-19 cases as the highly infectious delta variant spreads across the country. Many provinces and cities have tightened their social-distancing restrictions, and issued cross-city and cross-province travel bans. These measures will inevitably weigh on growth, especially domestic consumption which has yet to see a full recovery back to the pre-pandemic levels.

It is glad that COVID-19 infections remain low in Hong Kong and that Hong Kong vaccination rates will rise substantially, so that travel restoration with the mainland China will ensue. Nevertheless, we still have to adapt our priorities to reflect the changes around us and strive to seize any recovery opportunities.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2021, the Group's total borrowings amounted to approximately HK\$56.7 million (31 March 2021: HK\$61.7 million). As at 30 September 2021, cash and bank balances amounted to approximately HK\$13.3 million (31 March 2021: HK\$26.8 million). The Group's net assets as at 30 September 2021 amounted to HK\$451.3 million (31 March 2021: HK\$467.7 million).

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 12.56% as at 30 September 2021 compared to approximately 13.19% as at 31 March 2021.

Of the Group's total borrowings as at 30 September 2021, approximately HK\$56.7 million would be due for repayment on demand or within one year which is subject to repayable on demand clause. The borrowings were denominated in HK\$ and bear variable interest rates.

The above borrowings were secured by the hotel property, corporate guarantee from the Company, corporate guarantee from a related company controlled by a Director and personal guarantee from a Director.

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2021, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2021.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 September 2021, the total number of employees of the Group was approximately 107 (31 March 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 Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

As at 30 September 2021, the interests and short positions of the Directors 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 Securities and Futures Ordinance ("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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(1) 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 as at 30 September 2021 (%)
Lun Yiu Kay Edwin	1,358,055,354	Interest of controlled corporation	69.06

Note:

These 1,358,055,354 shares are held by Winland Wealth (BVI) Limited. Winland Wealth (BVI) Limited is wholly owned by Winland Stock (BVI) Limited which is in turn wholly owned by Mr. Lun Yiu Kay Edwin.

(2) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATION

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity and nature of interest	Shareholding percentage as at 30 September 2021 (%)
Winland Stock (BVI) Limited	Lun Yiu Kay Edwin	1	Beneficial owner	100
Winland Wealth (BVI) Limited	Lun Yiu Kay Edwin	1	Interest of controlled corporation	100

Save as disclosed above, as at 30 September 2021, none of the Directors of the Company or any of their respective associates had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which are required to be recorded under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the six months ended 30 September 2021 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2021, 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 as at 30 September 2021 (%)
Winland Wealth (BVI) Limited (Note i)	Long	1,358,055,354	Beneficial owner	69.06
Winland Stock (BVI) Limited (Note ii)	Long	1,358,055,354	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.

Save as disclosed above, as at 30 September 2021, none of the substantial shareholder or other persons, other than the Directors or chief executive of the Company, had any interest or 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.

CORPORATE GOVERNANCE PRACTICES

Saved as disclosed below, in the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules except for the following deviation:

Under the code provision A.2.1 of the CG Code, the role of chairman and managing director should be separate and should not be performed by the same individual. Mr. Lun Yiu Kay Edwin is both the Chairman of the Board and Managing Director of the Company. The Board considers that although such structure deviates from A.2.1 of the CG 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.

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

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company’s last published annual report.

AUDIT COMMITTEE

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the Unaudited Condensed Interim Financial Statements of the Group for the six months ended 30 September 2021 and discussed with the management the accounting principles and practices and internal control of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

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 of 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 transactions during the six months ended 30 September 2021.

EVENT AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there was no significant event taken place subsequent to 30 September 2021 and up to the date of this report.

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.

APPRECIATION

We would like to thank all of our customers, suppliers, shareholders, professional advisers and bankers for their continuous support and all members of our management and staff for their dedicated work and effort during the period under review.

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

Hong Kong, 29 November 2021