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**MEXAN LIMITED**

**茂盛控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 22)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

**FINANCIAL HIGHLIGHTS**

	<b>Unaudited</b>		
	<b>Six months ended</b>		
	<b>30 September</b>		
	<b>2024</b>	<b>2023</b>	<b>Increase/ (decrease)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
Revenue	<b>58,070</b>	84,498	(31%)
Gross profit	<b>27,498</b>	34,522	(20%)
Loss before income tax expense	<b>(9,902)</b>	(7,976)	24%
Loss attributable to the owners of the Company for the period	<b>(9,827)</b>	(9,493)	4%
Basic and diluted Earnings per share ( <i>HK cents</i> )	<b>(0.500)</b>	(0.483)	4%

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2024.

\* For identification purposes only

The board (the “Board”) of directors (the “Directors”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2024. 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 2024 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 2024

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2024</b>	<b>2023</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	<b>58,070</b>	84,498
Direct costs		<b>(30,572)</b>	(49,976)
Gross profit		<b>27,498</b>	34,522
Other income	6	<b>501</b>	1,668
Administrative and other operating expenses		<b>(17,383)</b>	(16,270)
Selling and distribution expenses		<b>(2,398)</b>	(2,853)
Depreciation		<b>(13,867)</b>	(14,753)
Provision for impairment loss on financial assets		<b>(397)</b>	(6,493)
Finance costs	7	<b>(3,856)</b>	(3,797)
Loss before income tax	8	<b>(9,902)</b>	(7,976)
Income tax expense	9	<b>–</b>	(1,632)
Loss and total comprehensive income for the period		<b>(9,902)</b>	(9,608)
Loss and total comprehensive income attributable to:			
Owners of the Company		<b>(9,827)</b>	(9,493)
Non-controlling interests		<b>(75)</b>	(115)
		<b>(9,902)</b>	(9,608)
Loss per share attributable to owners of the Company			
– basic and diluted ( <i>HK cents</i> )	10	<b>(0.500)</b>	(0.483)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2024*

		Unaudited 30 September 2024 <i>HK\$'000</i>	Audited 31 March 2024 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	355,416	368,177
Investment properties		89,417	90,969
Right of use assets	12	1,312	3,185
		446,145	462,331
<b>Current assets</b>			
Inventories		2,075	351
Trade and other receivables	13	24,103	34,387
Contract assets		3,351	11,213
Cash and bank balances		31,508	42,642
Pledged bank deposits		4,437	4,303
		65,474	92,896
<b>Current liabilities</b>			
Trade and other payables, deposits received and accrued charges	14	18,881	23,688
Bank loans	15	21,364	45,035
Contract liabilities		7,173	6,257
Lease liabilities		591	2,666
Amount due to a related party	17(a)	8,533	10,602
Amount due to a non-controlling shareholder of a subsidiary	17(b)	6,414	6,414
Tax payables		974	974
		63,930	95,636
<b>Net current assets/(liabilities)</b>		1,544	(2,740)
<b>Total assets less current liabilities</b>		447,689	459,591

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2024</b>	2024
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank loans	15	<b>71,000</b>	73,000
Lease liabilities		<b>755</b>	755
Accrued charges	14	<b>4,050</b>	4,050
Deferred tax liabilities		<b>2,973</b>	2,973
		<u><b>78,778</b></u>	<u>80,778</u>
<b>Net assets</b>		<u><b>368,911</b></u>	<u>378,813</u>
<b>EQUITY</b>			
Share capital	16	<b>39,328</b>	39,328
Reserves		<b>333,003</b>	342,830
		<u><b>372,331</b></u>	<u>382,158</u>
Equity attributable to owners of the Company		<b>372,331</b>	382,158
Non-controlling interests		<b>(3,420)</b>	(3,345)
		<u><b>368,911</b></u>	<u>378,813</u>
<b>Total equity</b>		<u><b>368,911</b></u>	<u>378,813</u>

## **NOTES TO UNAUDITED CONDENSED INTERIM 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.

As of 30 September 2024, the Company is approximately 69.06% owned by Winland Wealth (BVI) Limited, which is wholly-owned by Winland Stock (BVI) Limited.

### **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 2024 (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 20 November 2024.

The Unaudited Condensed Interim Financial Statements have been prepared with the same accounting policies adopted in the 2024 annual financial statements, except for the adoption of the revised Hong Kong Financial Reporting Standards (the “HKFRS”). Details of any changes in accounting policies are set out in note 3.

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 2024 annual financial statements. The Unaudited Condensed Interim Financial Statements and notes do not include all the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2024 consolidated financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2024 annual financial statements, except for the following amendments which are effective for the current accounting period of the Group. However, not all are expected to impact the Group as they are either not relevant to the Group’s activities or require accounting which is consistent with the Group’s current accounting policies.

The following new standards and amendments are effective for the period beginning 1 April 2024:

- Supplier Finance Arrangements (Amendments to HKAS 7 & HKFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to HKFRS 16);
- Classification of Liabilities as Current or Non-current (Amendments to HKAS 1);
- Non-current Liabilities with Covenants (Amendments to HKAS 1); and
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (HK Interpretation 5 (Revised) ('HK-Int 5 (Revised)'))

***Supplier Finance Arrangements (Amendments to HKAS 7 & HKFRS 7)***

On 21 July 2023, the HKICPA issued Supplier Finance Arrangements, which amended HKAS 7 Statement of Cash Flows and HKFRS 7 Financial Instruments: Disclosures. The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements. The amendments provide a transition relief whereby an entity is not required to provide the disclosures, otherwise required by the amendments, for any interim period presented within the annual reporting period in which the entity first applies those amendments.

The Group carried out an assessment of its contracts and operations and concluded that these amendments have had no effect on the interim condensed consolidated financial statements, regardless of the transition relief provided.

***Lease Liability in a Sale and Leaseback (Amendments to HKFRS 16)***

On 1 November 2022, the HKICPA issued amendments to HKFRS 16 Lease Liability in a Sale and Leaseback. Prior to the amendments, HKFRS 16 did not contain specific measurement requirements for lease liabilities that may contain variable lease payments arising in a sale and leaseback transaction. In applying the subsequent measurement requirements of lease liabilities to a sale and leaseback transaction, the amendments require a seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right to use retained by the seller-lessee.

These amendments had no effect on the interim condensed consolidated financial statements of the Group.

***Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to HKAS 1 and HK-Int 5 (Revised))***

The HKICPA issued amendments to HKAS 1 in August 2020 Classification of Liabilities as Current or Non-current and subsequently, in December 2022, Non-current Liabilities with Covenants together with HK-Int 5 (Revised).

The amendments clarify the following:

An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.

If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the end of the reporting period.

- The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.
- In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

These amendments have no effect on the measurement of any items in the interim condensed consolidated financial statements of the Group.

#### **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 2024 annual financial statements.

#### **5. SEGMENT REPORTING**

##### **(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 six months ended 30 September 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 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 operation – supply of furniture and building materials and provision of the design and fit-out construction service

The segment revenue and results are as follows:

	Hotel operation		Trading of building materials and fit-out construction operation		Total	
	Unaudited		Unaudited		Unaudited	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External revenue	<b>43,772</b>	37,309	<b>14,298</b>	47,189	<b>58,070</b>	84,498
Segment loss before tax	<b>3,649</b>	(29)	<b>(9,646)</b>	(5,183)	<b>(5,997)</b>	(5,212)
Interest income	<b>104</b>	24	<b>50</b>	30	<b>154</b>	54
Interest expense	<b>(2,295)</b>	(2,222)	<b>(432)</b>	(93)	<b>(2,727)</b>	(2,315)
Depreciation of property, plant and equipment	<b>(10,032)</b>	(10,045)	<b>(410)</b>	(909)	<b>(10,442)</b>	(10,954)
Depreciation of right-of- use assets	-	-	<b>(1,874)</b>	(2,172)	<b>(1,874)</b>	(2,172)
Provision for impairment loss on financial assets	-	-	<b>(397)</b>	(6,493)	<b>(397)</b>	(6,493)
Income tax expense	-	(1,261)	-	(304)	-	(1,565)
Additions to non-current assets	<b>233</b>	143	-	592	<b>233</b>	735
	<b>Unaudited</b>	Audited	<b>Unaudited</b>	Audited	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March	<b>30 September</b>	31 March	<b>30 September</b>	31 March
	<b>2024</b>	2024	<b>2024</b>	2024	<b>2024</b>	2024
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Reportable segment assets	<b>385,948</b>	404,045	<b>33,920</b>	56,827	<b>419,868</b>	460,872
Reportable segment liabilities	<b>(106,928)</b>	(129,146)	<b>(28,406)</b>	(39,163)	<b>(135,334)</b>	(168,309)



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

	<b>Unaudited</b> <b>30 September</b> <b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss of reportable segments before tax	(5,997)	(5,212)
Depreciation on investment properties	(1,552)	(1,628)
Other administrative expense (including interest expenses)	(2,686)	(1,535)
Other income (including interest income)	333	399
	<hr/>	<hr/>
Loss before tax	<b>(9,902)</b>	<b>(7,976)</b>
	<hr/>	<hr/>
	<b>Unaudited</b> <b>30 September</b> <b>2024</b> <i>HK\$'000</i>	Audited 31 March 2024 <i>HK\$'000</i>
Reportable segment assets	419,868	460,872
Unallocated corporate assets		
– Investment properties	89,417	90,969
– Other receivables	203	298
– Certain cash and cash equivalents	2,131	3,088
	<hr/>	<hr/>
Consolidated total assets	<b>511,619</b>	<b>555,227</b>
	<hr/>	<hr/>
	<b>Unaudited</b> <b>30 September</b> <b>2024</b> <i>HK\$'000</i>	Audited 31 March 2024 <i>HK\$'000</i>
Reportable segment liabilities	(135,334)	(168,309)
Unallocated corporate liabilities		
– Amount due to a non-controlling shareholder	(6,414)	(6,414)
– Accounts payable and accruals	(960)	(1,691)
	<hr/>	<hr/>
Consolidated total liabilities	<b>(142,708)</b>	<b>(176,414)</b>
	<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.

	<b>External revenue by location of customers</b>		<b>Non-current assets by location of assets</b>	
	<b>Unaudited For the six months ended 30 September</b>		<b>Unaudited 30 September</b>	<b>Audited 31 March</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>58,070</b>	84,462	<b>446,145</b>	462,331
Macau	–	36	–	–
	<b>58,070</b>	<b>84,498</b>	<b>446,145</b>	<b>462,331</b>

(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:

	<b>Unaudited For the six months ended 30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trading of building materials and fit-out construction operation		
Customer A	–	19,081
Customer B	–	17,315
Hotel operation		
Customer C	<b>20,302</b>	16,506
Customer D	–	9,895
Customer E	<b>6,581</b>	–

## 6. REVENUE AND OTHER INCOME

The Group's revenue are as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue		
Hotel operations in Hong Kong		
– Hotel room sales	42,234	35,494
– Food and beverage income	1,025	1,566
– Miscellaneous sales	388	131
– Laundry service income	125	118
	<u>43,772</u>	<u>37,309</u>
Trading of building materials and fit-out construction operation		
– Trading of building materials and furniture	6,158	42,713
– Fit-out construction service	8,140	4,476
	<u>14,298</u>	<u>47,189</u>
Total revenue	<u>58,070</u>	<u>84,498</u>
<b>Primary geographical market</b>		
– Hong Kong	58,070	84,462
– Macau	–	36
Total revenue	<u>58,070</u>	<u>84,498</u>
<b>Time of revenue recognition</b>		
– Over time	50,499	40,088
– At a point in time	7,571	44,410
Total revenue	<u>58,070</u>	<u>84,498</u>
<b>Other income</b>		
Bank interest income	488	453
Gain on disposal of property, plant and equipment	–	111
Sundry income	13	3
Insurance claim	–	1,101
	<u>501</u>	<u>1,668</u>

## 7. FINANCE COSTS

Finance costs comprise the following:

	Unaudited Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Interest on bank loans	3,197	3,325
Interest on trade finance loans	40	36
Interest on amount due to a related party of a director of a subsidiary	336	9
Interest on lease liabilities	56	47
Bank charges	227	380
	<u>3,856</u>	<u>3,797</u>

## 8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting) the following:

	Unaudited Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Cost of goods sold and service provided	30,572	49,976
Depreciation of property, plant and equipment	10,442	10,953
Depreciation of right-of-use assets	1,873	2,172
Depreciation of investment properties	1,552	1,628
Loss/(gain) on disposal of property, plant and equipment	299	(111)
Change in fair value of contingent consideration	–	(1,750)
Staff costs	23,856	21,759
	<u>23,856</u>	<u>21,759</u>

## 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 2024 and 2023.

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax – Hong Kong profits tax	–	304
Deferred taxation	–	1,328
	<u>–</u>	<u>1,632</u>

## 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:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss</b>		
Loss for the period attributable to owners of the Company	<u>(9,827)</u>	<u>(9,493)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	<u>1,966,388</u>	<u>1,966,388</u>

No dilutive loss per share is presented as there was no potential ordinary shares in issue during the six months ended 30 September 2024 and 2023.

## 11. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2024 (2023: Nil).

## 12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

No impairment losses were recognised in respect of property, plant and equipment and right-of-use assets for the six months ended 30 September 2024 (2023: Nil). During the six months ended 30 September 2024, additions to property, plant and equipment and right-of-use assets amounted to HK\$233,000 (2023: HK\$231,000) and HK\$ nil (2023: HK\$504,000) respectively.

During the period, approximately HK\$1,779,000 of property, plant and equipment were transferred to inventories. No gain or loss recognised.

### 13. TRADE AND OTHER RECEIVABLES

	<b>Unaudited 30 September 2024 HK\$'000</b>	Audited 31 March 2024 HK\$'000
Trade receivables	<b>13,807</b>	26,887
<i>Less:</i> Provision for impairment loss	<b>(5,166)</b>	(4,539)
	<b>8,641</b>	22,348
Retention receivables	<b>7,772</b>	6,373
<i>Less:</i> Provision for impairment loss	<b>(479)</b>	(350)
	<b>7,293</b>	6,023
Deposits, prepayments and other receivables	<b>8,169</b>	6,016
	<b>24,103</b>	34,387

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:

	<b>Unaudited 30 September 2024 HK\$'000</b>	Audited 31 March 2024 HK\$'000
Within 30 days	<b>6,002</b>	11,192
Over 30 days but less than 60 days	<b>371</b>	1,544
Over 60 days but less than 90 days	<b>245</b>	4,734
Over 90 days	<b>7,189</b>	9,417
	<b>13,807</b>	26,887
<i>Less:</i> Allowance for impairment losses	<b>(5,166)</b>	(4,539)
	<b>8,641</b>	22,348

#### 14. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Unaudited 30 September 2024 HK\$'000	Audited 31 March 2024 HK\$'000
Trade payable ( <i>Note a</i> )	5,027	8,834
Accrued charges ( <i>Note b</i> )	4,454	5,271
Deposit received ( <i>Note c</i> )	7,985	7,985
Other payables ( <i>Note d</i> )	1,415	1,598
	<u>18,881</u>	<u>23,688</u>
Non-current portion:		
Accrued charges ( <i>Note b</i> )	<u>4,050</u>	4,050
	<u>22,931</u>	<u>27,738</u>

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

	Unaudited 30 September 2024 HK\$'000	Audited 31 March 2024 HK\$'000
Within 1 month	3,638	6,132
Over 1 month but within 2 months	54	2,506
Over 2 months	1,335	196
	<u>5,027</u>	<u>8,834</u>

- (b) The balance mainly represents the provision for long service payment of HK\$4,364,000 (31 March 2024: HK\$4,364,000).
- (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 of HK\$382,000 (31 March 2024: HK\$478,000) and sales commission payable of construction services of HK\$126,000 (31 March 2024: HK\$326,000).

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

## 15. BANK LOANS

	<b>Unaudited 30 September 2024 HK\$'000</b>	Audited 31 March 2024 HK\$'000
Secured:		
Letter of credit ( <i>Note c</i> )	4,538	3,161
Export invoice financing ( <i>Notes c and d</i> )	–	2,906
Bank term loans ( <i>Notes a, b and e</i> )	87,826	111,968
	<u>92,364</u>	<u>118,035</u>
Current portion ( <i>Notes e and f</i> )	21,364	45,035
Non-current portion ( <i>Notes e and f</i> )	71,000	73,000
	<u>92,364</u>	<u>118,035</u>

- (a) As at 30 September 2024, the bank term loans of HK\$13 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 5.72% per annum and 6.10% 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 and personal guarantee from 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\$13 million as at 30 September 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 30 September 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 date set out in the loan agreements, the amounts repayable in respect of the bank loans are as follows:

	<b>Unaudited 30 September 2024 HK\$'000</b>	Audited 31 March 2024 HK\$'000
On demand or within one year	<b>10,404</b>	10,075
More than one year, but not exceeding two years	<b>16,960</b>	38,960
More than two years, but not exceeding five years	<b>65,000</b>	69,000
	<b>92,364</b>	118,035
Carrying amount of bank loans for repayments after one year which contain a repayment on demand clause (shown under current liabilities) ( <i>Note e</i> )	<b>10,960</b>	34,960

## 16. SHARE CAPITAL

	<b>Unaudited 30 September 2024</b>		Audited 31 March 2024	
	<b>Number of shares</b>	<b>Amount HK\$'000</b>	Number of shares	Amount HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.02 each	<b>3,000,000,000</b>	<b>60,000</b>	3,000,000,000	60,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.02 each	<b>1,966,387,866</b>	<b>39,328</b>	1,966,387,866	39,328

## 17. RELATED PARTY TRANSACTIONS

As at 30 September 2024, 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.

- (a) Amount due to a related party is unsecured, interest-bearing and repayable on demand. The related party is beneficially owned by a director of a subsidiary.
- (b) Amount due to a non-controlling shareholder of a subsidiary are all unsecured, interest-free and repayable on demand.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2024 (2023: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET AND BUSINESS REVIEW**

The business of the Group mainly comprises of the operation of an 800-room hotel in Tsing Yi, New Territories, Hong Kong known as Winland 800 hotel (the “Hotel”) and the trading of building materials and operating fit-out construction projects through its non-wholly owned subsidiary.

Since Hong Kong fully reopened to travelers last February after three years of strict pandemic rules, mainland Chinese visitors have largely returned to the city. Hong Kong authorities have made winning back tourists a key policy goal. During the budget speech in February, the government announced it had allocated HK\$1.1 billion to promote “mega events,” host monthly pyrotechnics and drone shows, and partner with influencers to promote Hong Kong.

In accordance with the information announced by Hong Kong Tourism Board, total visitors arriving in Hong Kong in the first half of 2024 amounted to about 21 million, for a 64% increase year on year of which 16.1 million visitors arrived from Mainland China, about 60% more than in 2023. Such increase is contributed by extension of the Individual Visit Scheme to provincial capital cities Qingdao, Xian, Taiyuan, Hohhot, Harbin, Lhasa, Lanzhou, Xining, Yinchuan and Urumqi.

Overnight visitors accounted for 50% of all visitor arrivals and there were also visible increases in the number of visitors from the traditional long-haul, short-haul as well as other new markets, as compared to the year before. The average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the period ended September was up from 78.0% in 2023 to 81.0% in 2024. The occupancy rate of the Hotel is 97.46% during the reporting period, which is higher than the average rate.

Our subsidiary Winland Firmstone Limited which engages in supply and installation of building and construction materials (“subsidiary”) records a segment loss of HK\$9.646 million during the period under review. Such loss can be attributed to multifaceted and wide ranged factors. One of the main factors is the slowdown in the momentum of the construction industry due to lack of interests in property developers to roll out new flats for completion and sale as a result of the recent sluggish property price which led to the adoption of a rigid cost control program and downsizing of manpower by the subsidiary.

## **PROSPECTS**

The Hong Kong economy continued to record moderate growth in the second quarter of 2024, with real GDP increased by 3.3% year-on-year, after a 2.8% growth in the first quarter matching Government forecasts a growth of 2.5% to 3.5% in real terms for 2024.

The Group will continue to tap on the full recovery of the Hong Kong Tourist Industry despite the rise of day trippers and prudent spending pattern which pose new challenges to the industry. At the same time, it will continue to implement strict cost controls and prudent business development plans to cope with economic hard time.

The Group will look for opportunities to expand its business exposures to take the business of the Group to the next level.

Further than that, it will strive to maximize the interests of the stakeholders through active monitor of the market conditions.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group for the six months period ended 30 September 2024 amounted to approximately HK\$58.1 million (2023: HK\$84.5 million), representing a significant decrease of 31% as compared to same period last year. The Group has two reportable segments, the segment revenue generated from the hotel operation was approximately HK\$43.8 million (2023: HK\$37.3 million), representing an increase of 17% as compared with same period last year due to the improved room rate and occupancy. As for the reportable segment of trading of building materials and fit-out construction operation, the segment revenue for the period was approximately HK\$14.3 million (2023: HK\$47.2 million), representing a decrease of 70% as compared with same period last year due to the underperformed business of trading of building materials and fit-out construction operation.

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

Gross profit of the Group for the six months period ended 30 September 2024 amounted to approximately HK\$27.5 million (2023: HK\$34.5 million), comprised of gross profit from hotel operation of approximately HK\$26.5 million (2023: HK\$22.6 million) and gross profit from trading of building materials and fit-out construction projects of approximately HK\$1.0 million (2023: 11.9 million).

Gross profit margin of the Group for the six months period ended 30 September 2024 was 47.4% (2023: 40.9%). Gross profit margin for the hotel operation was 60.6% (2023: 60.6%) and gross profit margin for the trading of building materials and fit-out construction operation was 6.8% (2023: 25.2%).

## **Other income**

The other income mainly included bank interest income in the total amount of HK\$0.5 million, while other income for same period last year mainly comprised of insurance claim of approximately HK\$1.1 million which was related to trading of building materials and fit-out construction business.

## **Administrative and other operating expenses**

The administrative and other operating expenses of the Group for the six months period ended 30 September 2024 were approximately HK\$17.4 million (2023: HK\$16.3 million), mainly comprised of expenses for the hotel operation of approximately HK\$10.5 million (2023: HK\$10.1 million) and the expenses for the trading of building materials and fit-out construction operation of approximately HK\$5.2 million (2023: HK\$5.7 million).

## **Selling and distribution expenses**

The selling and distribution expenses of the Group for the six months period ended 30 September 2024 were approximately HK\$2.4 million (2023: HK\$2.9 million), the whole amount were incurred for the trading of building materials and fit-out construction operation.

## **Provision for impairment loss on financial assets**

The provision for impairment loss on financial assets of the Group for the six months period ended 30 September 2024 was approximately HK\$0.4 million (2023: HK\$6.5 million), the whole amount was related to the trading of building materials and fit-out construction operation.

## **Loss for the year**

The loss after income tax of the Group for the six months period ended 30 September 2024 was approximately HK\$9.9 million (2023: HK\$9.6 million). Loss for period under review was mainly due to the underperformed business of trading of building materials and fit-out construction operation.

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

During the period under review, cash flow of the Group was mainly generated from the hotel operations and bank borrowings. As at 30 September 2024, the Group's total borrowings, including the bank loans, and amount due to a related party of a director of a subsidiary amounted to approximately HK\$100.9 million, which was slightly decreased from HK\$128.6 million as at 31 March 2024.

As at 30 September 2024, cash and bank balances amounted to approximately HK\$31.5 million compared with cash and bank balances of approximately HK\$42.6 million as at 31 March 2024. The Group's net assets as at 30 September 2024 amounted to approximately HK\$368.9 million, which decreased from approximately HK\$378.8 million as at 31 March 2024.

Gearing ratio of the Group that is expressed as a percentage of total borrowings to total equity was approximately 27.4% as at 30 September 2024 compared with approximately 33.9% as at 31 March 2024. 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 18.8% compared with approximately 22.7% as at 31 March 2024.

Of the Group's bank borrowings as at 30 September 2024, approximately HK\$10.4 million would be due within one year or on demand and approximately HK\$82.0 million would be due for repayment after one year. The bank term loans were denominated in HK\$ and bear a variable interest rate and secured by the hotel property and commercial property, a 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. The trade finance loan was denominated in HK\$ and bear a variable interest rate and secured by the cash deposit, corporate guarantee provided from the Company up to 51% of the loan balance and a personal guarantee provided by a director of the Company.

Total equity of the Group as at 30 September 2024 was approximately HK\$368.9 million while there was approximately HK\$378.8 million as at 31 March 2024. Total equity attributable to owners of the Company as at 30 September 2024 was approximately HK\$372.3 million while there was approximately HK\$382.2 million as at 31 March 2024. 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**

During the period, there was no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

### **Significant Investments Held**

The Group did not have any significant investments held as at 30 September 2024.

## **Employee Information and Emolument Policy**

As at 30 September 2024, the total number of employees of the Group was 127 (31 March 2024: 157). 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 30 September 2024, the hotel property and commercial property with net book value of approximately HK\$438.0 million were pledged for bank borrowings in the amount of approximately HK\$87.8 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 (31 March 2024: HK\$145,700,000) granted to its subsidiaries. The amount utilized by the subsidiaries amount to approximately HK\$77,314,000 as at 30 September 2024 (31 March 2024: HK\$78,094,000). 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 30 September 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**

The Group had no commitment as at 30 September 2024 (31 March 2024: 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 30 September 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**

On 13 November 2024, Ms. Wong Yuen Fan was appointed as an executive director of the Company and a member of the executive committee.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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 2024.

### **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 period 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 period.

## **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 2024 and discussed with the management the accounting principles and practices and internal control of the Group.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 “Announcement”. The internal report for the period ended 30 September 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, 20 November 2024

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