



MEXAN LIMITED
茂盛控股有限公司*
(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS 2003/2004

RESULTS

The Board of Directors (the "Board") of Mexan Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003 together with the comparative figures for the corresponding previous period are as follows:

Consolidated Profit and Loss Account

For the six months ended 30th September 2003

	Note	Unaudited	
		Six months ended 30th September 2003 HK\$'000	2002 HK\$'000 (Restated)
Turnover	2	56,946	156,158
Direct costs		(21,157)	(90,266)
		35,789	65,892
Other revenues		6,986	12,675
Administrative expenses		(15,907)	(19,195)
Reorganisation costs		(38,419)	-
(Loss)/profit from operations	3	(11,551)	59,372
Finance costs		(8,446)	(11,775)
Share of results of associated companies		(8,564)	(1,586)
(Loss)/profit before taxation		(28,561)	46,011
Taxation	4	(2,047)	(2,276)
(Loss)/profit after taxation		(30,608)	43,735
Minority interests		(1,474)	(12,533)
(Loss)/profit attributable to shareholders		(32,082)	31,202
Dividends	5	1,187,024	-
(Loss)/earnings per share – Basic	6	(2.494) cents	2.425 cents

Notes:

1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2003 annual report.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 "Income taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

As a result of this change, the net profit for the six months ended 30th September 2002 has been reduced by HK\$132,000.

2. Turnover

The Group is principally engaged in property development and investment, securities investment and trading and investment holding. Revenues recognised during the period are as follows:

(a) *Business segments*

	Property rental HK\$'000	Property development HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Six months ended 30th September 2003						
Turnover	40,566	16,380	-	-	-	56,946
Segment results	32,391	3,356	42	-	-	35,789
Unallocated corporate expenses (net)	-	-	-	-	(14,254)	(14,254)
Reorganisation costs	-	-	-	-	(38,419)	(38,419)
Interest income	-	-	-	-	5,333	5,333
Finance costs	-	-	-	-	(8,446)	(8,446)
Share of results of associated companies	-	(23)	-	(8,541)	-	(8,564)
Loss before taxation	-	-	-	-	-	(28,561)
Taxation	-	-	-	-	(2,047)	(2,047)
Loss after taxation	-	-	-	-	-	(30,608)
Minority interests	-	(1,474)	-	-	-	(1,474)
Loss attributable to shareholders	-	-	-	-	-	(32,082)
Six months ended 30th September 2002						
Turnover	39,931	115,490	737	-	-	156,158
Segment results	39,099	27,498	(705)	-	-	65,892
Unallocated corporate expenses (net)	-	-	-	-	(15,798)	(15,798)
Interest income	-	-	-	-	9,278	9,278
Finance costs	-	-	-	-	(11,775)	(11,775)
Share of results of associated companies	-	(17,514)	-	15,928	-	(1,586)
Profit before taxation	-	-	-	-	-	46,011
Taxation	-	-	-	-	(2,276)	(2,276)
Profit after taxation	-	-	-	-	-	43,735
Minority interests	-	(12,533)	-	-	-	(12,533)
Profit attributable to shareholders	-	-	-	-	-	31,202

(b) No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated (loss)/profit from operations of the Group are attributable to markets outside Hong Kong.

3. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging the following:

	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000
Charging		
Staff costs	5,731	7,774
Depreciation of fixed assets	385	854
Loss on disposal of fixed assets	-	27
	6,116	8,655

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000 (Restated)
Hong Kong profits tax		
- current	1,537	1,200
Deferred tax	698	479
Overseas taxation		
- under provision in prior years	7	61
	2,242	1,740
Share of taxation attributable to associated companies	(195)	536
	2,047	2,276

5. Dividends – Group

	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000
Special dividend	1,187,024	-

The special dividend by way of distribution in specie represents the Group's share of the net assets of Besteam Limited and its subsidiaries at the date of distribution.

6. (Loss)/earnings per share

The calculations of the basic (loss)/earnings per share are based on the following data:

	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000 (Restated)
(Loss)/earnings	(32,082)	31,202
(Loss)/earnings for the purpose of the calculation of basic (loss)/earnings per share	(32,082)	31,202
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic (loss)/earnings per share	1,286,482,836	1,286,482,836

The diluted (loss)/earnings per share for the six months ended 30th September 2003 and 2002 have not been shown as all outstanding share options were cancelled in June 2003 and had no dilutive effect on the earnings per share for the period respectively.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th September 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

On 20th June 2003, the Group completed an extensive reorganisation (the "Group Reorganisation"), which included, amongst other things, the cancellation and distribution of the share premium and a portion of the retained earnings of the Company amounting to approximately HK\$1,187 million in specie in the form of shares of Besteam Limited (a then wholly owned subsidiary of the Company).

The Group Reorganisation impacted on the results and the balance sheet of the Group. Besteam Limited, its subsidiaries and its associated companies (collectively "Besteam Group") had been disposed of by the Company after the completion of the Group Reorganisation. Results of Besteam Group up to 20th June 2003 were included in the results of the Group and the net assets of Besteam Group were excluded from the Group's balance sheet as at 30th September 2003.

Loss attributable to shareholders of the Group for the six months ended 30th September 2003 was approximately HK\$32 million compared with a profit of approximately HK\$31 million (as restated) last period. The results included the loss of approximately HK\$8 million incurring from Besteam Group and the expenses of approximately HK\$38 million incurring from the reorganisation exercise. The reorganisation costs included the cancellation of share options of the Company amounted to approximately HK\$33 million. Apart from this, during the period under review, recurring profits were still generated from the Group's normal operation.

As a consequence of reorganisation, turnover for the period amounted to approximately HK\$57 million, representing a decrease of 63% compared with that of last period. Loss from operations for the period amounted to approximately HK\$11 million, compared with a profit from operations of approximately HK\$59 million last period. Loss from operations included the reorganisation costs of approximately HK\$38 million as mentioned above and the operating profit of approximately HK\$2 million generated from Besteam Group.

Gross rental income and its segment result for the period amounted to approximately HK\$41 million and a profit of HK\$32 million respectively, representing an increase of approximately 2% and a decrease of approximately 17% respectively when compared with those of last period. Pursuant to the management contract entered on 20th June 2003, the Group will receive a guaranteed annual net rental income in respect of the Elizabeth House Commercial Podium of HK\$78 million for three years commencing from 26th June 2003.

Contribution from property development was derived from Besteam Group. As a consequence of the Group Reorganisation, the turnover and its segment results decreased by approximately 86% and 88% respectively. On the other hand, contribution from security investment was insignificant to the Group for both periods.

Liquidity and financial information

The Group's total borrowings as at 30th September 2003 amounted to approximately HK\$672 million compared with approximately HK\$894 million as at 31st March 2003. Cash and bank balances amounted to approximately HK\$622 million as at 30th September 2003 compared with approximately HK\$789 million as at 31st March 2003. Net borrowings amounted to approximately HK\$50 million as at 30th September 2003 compared with approximately HK\$105 million as at 31st March 2003.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 43% as at 30th September 2003 compared with approximately 32% as at 31st March 2003. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was approximately 3% as at 30th September 2003 compared with approximately 4% as at 31st March 2003.

Of the Group's total borrowings as at 30th September 2003, HK\$62 million (9%) would be due within one year, HK\$60 million (9%) would be due in more than one year but not exceeding two years, HK\$235 million (35%) would be due in more than two years but not exceeding five years and the remaining balance of HK\$315 million (47%) would be due in more than five years.

The above borrowings included the bank borrowings of HK\$662 million, which were secured by the first charges on the investment property and other specified assets of the Group and corporate guarantees from the Company.

The Group has limited exposure to foreign exchange fluctuations as most of its transactions including the borrowings are mainly conducted in Hong Kong dollars.

BUSINESS REVIEW AND OUTLOOK

During the period under review, Hong Kong's economy has been on the road of recovery. Stock prices went high and so have other market activities in general. Most importantly, consumer confidence has shown signs of improvement and people appear to be willing to spend again. The relaxation of travel restrictions for PRC nationals to enter Hong Kong has also been helpful in making Hong Kong's restaurants and shops busier in some commercial and retail districts such as the Causeway Bay where the Company's principal investment property, Elizabeth House Commercial Podium ("E-House"), is located. As a result, the rental income from E-House has been improving and has reached the level of pre-SARS earlier this year because most of the vacant spaces have been taken up by new tenants and monthly rentals have been received in a timely fashion.

There was a change of controlling shareholder of the Company in the middle of this year, and also the change of the Board members, management and the name of the Company. Following the completion of the Group Reorganisation and the sale and purchase of shares, representing approximately 74.3% of the entire issued share capital of the Company, on 20th June 2003 and 26th June 2003 respectively, Mr. Lau Kan Shan through his controlled corporation, Mexan Group Limited, has become the controlling shareholder of the Company. Details of the Group Reorganisation and the sale and purchase are contained in the Company's circular dated 10th April 2003 and the composite offer document issued jointly by Mexan Group Limited and the Company on 30th June 2003.

The Governments of the Hong Kong SAR and China entered into the Closer Economic Partnership Arrangement ("CEPA") in June 2003. Under the CEPA, Hong Kong professionals and business entities enjoy certain privileges to gain access to the China market and the same applies vice versa. It is believed that the CEPA will open up a new era for our economy.

To meet the increasing demand for hotel and other living accommodations in Hong Kong in the past months, the Board has decided to acquire an approximately 800-room hotel under construction from the Hutchison Whampoa group ("Hutchison") subsequent to the period end on 20th October 2003. The hotel is located in Rambler Crest, Tsing Yi and near the Hong Kong International Airport which is about ten minutes away by train from a nearby station. The hotel is designed for visitors to the Hong Kong Disneyland which will be open to the public in 2005. This transaction is strategically important as not only it will add a quality asset to the Group's investment portfolio which can produce a steady cash flow, but more important, the deal has brought in Hutchison as the strategic shareholder of the Company by the issue of shares of the Company as part of the purchase consideration. As a prudent initiative, the Group will enter into a management agreement upon completion of the sale and purchase of the hotel with the Harbour Plaza Hotel Management Limited which is a reputable hotel management company to manage the hotel for the Group as well as provide a minimum EBITDA guarantee of HK\$21,000,000 for each of the three years commencing from the date of the management agreement. The Board expects the hotel to benefit from the combination of a growing tourist flow and the ideal location of the premises.

As part of the consideration for the purchase of the hotel, the Company issued convertible notes for an amount of HK\$160 million to Hutchison and its nominee on 5th November 2003 whereupon the noteholders have the right to convert up to a maximum of 53,333,333 shares of the Company at the initial conversion price of HK\$3.00 per share, subject to adjustment, within three years from the date of issue.

Action is being taken to upgrade the floor plan of E-House, expecting to generate a higher level of rental income. Moreover, the Board intends to review the operation of the Group including the utilization of the cash balance retained with a view to enhancing its asset base and broadening its income stream by seeking further investments in synergetic or prospective business if there arises such opportunities, which the Board may think fit and are allowed under the relevant regulatory provisions.

EMPLOYEE INFORMATION

As at 30th September 2003, the total number of employees of the Group was approximately 10 (2002: 35). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

The Company has not redeemed any of its listed securities during the six months ended 30th September 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30th September 2003.

AUDIT COMMITTEE

The Audit Committee of the Company comprised Mr. Lau Wai and Mr. Cheng Chun Pong, Paul, both of whom are independent non-executive directors of the Company.

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30th September 2003 and discussed with the management the accounting principles and practices and internal control of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of information which would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with the exception that the non-executive directors of the Company are not appointed for specific terms of office but retire on a rotational basis in accordance with the Bye-laws of the Company.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company on 25th September 2003 and the subsequent approval of the Registrar of Companies in Bermuda, the name of the Company has been changed from Asean Resources Holdings Limited to MEXAN LIMITED with effect from 25th September 2003. The Company also adopted "茂盛控股有限公司" as its Chinese name for identification purposes and the Chinese name has been registered in the Registrar of Companies in Hong Kong.

CHANGES OF DIRECTORATE

The following changes of directorate in the Company occurred during the period under review and up to the date of this announcement:

1. Mr. Lau Kan Shan, Mr. Yuen Hiu Kwan and Ms. Ching Yung have been appointed executive directors of the Company with effect from 30th June 2003 and Mr. Lau Kan Shan was subsequently appointed the chairman of the Board;
2. Mr. Lau Wai and Mr. Cheng Chun Pong, Paul have been appointed independent non-executive directors of the Company with effect from 30th June 2003;
3. All of Mr. Chan Boon Ho, Peter, Mr. Cheng Kam Biu, Wilson, Mr. Lo Lin Shing, Simon, Mr. Chan Chi On, Derek, Mr. Wong Kam Cheong, Stanley, Mr. Lai Yu Ting, Mr. Lai Hing Chiu, Dominic, Mr. To Hin Chun, Gerald, Mr. Cheung Hon Kit and Mr. Ng Wai Hung resigned as directors of the Company on 21st July 2003; and
4. Mr. Yan Sheng has been appointed executive director and chief executive officer of the Company with effect from 8th November 2003.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The detailed interim results containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Lau Kan Shan
Chairman

Hong Kong, 16th December 2003

* For identification purposes only