



**MEXAN LIMITED**

**茂盛控股有限公司\***

(Incorporated in Bermuda with limited liability)  
(Stock Code: 22)

## ANNOUNCEMENT

### Connected and Major Transaction Acquisition of Ningbo Beilun Port Expressway Company Limited

#### SUMMARY

##### Acquisition of Ningbo Beilun Port Expressway Company Limited

The Board wishes to announce that on 1 June 2004, Pacific Land (an indirect wholly-owned subsidiary of the Company) entered into the Acquisition Agreement for the purchase by Pacific Land of a 44.9% equity interest in Beilun Company. The consideration payable by Pacific Land for the Acquisition will be a cash sum of between HK\$270 million and HK\$320 million.

Beilun Company owns and operates the Ningbo Beilun Port Expressway, details of which are set out in the main text under "Business of Beilun Company".

#### CONNECTED TRANSACTIONS

Mr. Lau Kan Shan holds indirectly approximately 73.58% of the entire issued share capital of the Company and is the ultimate controlling shareholder of the Company. Mr. Lau also holds approximately 99.99% of the entire issued share capital of the Vendor and is indirectly the controlling shareholder of CHAM, which together with the Vendor holds the entire equity interest in Beilun Company. Therefore each of the Vendor and CHAM is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition contemplated under the Acquisition Agreement as well as certain other arrangements to be entered into in connection with the Acquisition (namely, the Revised Joint Venture Contract and the Revised Articles of Association) will constitute connected transactions of the Company and will be conditional upon, among other things, approval by the Independent Shareholders by way of a poll at the SGM. Mr. Lau and his associates (as defined in the Listing Rules), which includes Mexan Group Limited, will abstain from voting at the SGM.

#### ACQUISITION AGREEMENT DATED 1 June 2004

##### Parties

The Vendor and Pacific Land.

##### Asset to be acquired

Under the Acquisition Agreement, the Vendor will transfer a part of its equity interest in Beilun Company, which amounts to 44.9% of the total equity interest in Beilun Company to Pacific Land; and CHAM, the other holder of equity interests in Beilun Company, agrees to such transfer.

##### Consideration

The consideration payable by Pacific Land to the Vendor for the Acquisition will be a cash sum of between HK\$270 million and HK\$320 million. Under the Acquisition Agreement, the actual consideration will be confirmed by agreement between Pacific Land and the Vendor upon the completion of due diligence conducted by Pacific Land which is currently ongoing, which is expected to take place before the completion of the Acquisition and will also take into account the final valuation of BMI Appraisals in a business valuation report to be included in a circular to shareholders of the Company.

The consideration is payable in three instalments:

- (i) HK\$27 million within 5 Business Days after the signing of the Acquisition Agreement;
- (ii) HK\$135 million within 5 Business Days after the obtaining of Independent Shareholders' approval for the Acquisition at the SGM; and
- (iii) the balance upon the completion of the Acquisition.

The consideration range for the acquisition of Beilun Company was arrived at after arm's length negotiation between Pacific Land and the Vendor with reference to the preliminary valuation made by BMI Appraisals based on a comparables approach. The preliminary valuation conducted by BMI Appraisals for the 44.9% equity interest in Beilun Company as at 30 April 2004 was in the range of HK\$302 million to HK\$317 million. BMI Appraisals selected relevant listed companies in Hong Kong engaged in the mainland toll road industry and computed a price to book ratio (the "P/B multiple") for each of those companies. In order to determine the appropriate P/B multiple for Beilun Company, BMI Appraisals has made adjustments in respect of different market size, financial risk, similarity of business and marketability to the P/B multiples of the selected companies. The preliminary value range of Beilun Company was arrived at by multiplying the lowest and highest adjusted P/B multiples by the audited net asset value of Beilun Company as at 31 December 2003. The Directors consider the consideration range to be fair and reasonable. The total consideration will be funded by a combination of internal resources of the Group and, if deemed appropriate by the Directors, bank borrowings or any other means of financing.

##### Conditions Precedent

Completion of the Acquisition is conditional upon, among other things:

1. the passing of an ordinary resolution by way of a poll at the SGM by the Independent Shareholders approving the Acquisition and the entering into of the Acquisition Agreement, the Revised Joint Venture Contract and the Revised Articles of Association;
2. agreement between the Vendor and Pacific Land on the final consideration;
3. the receipt by Pacific Land of a legal opinion issued by a PRC law firm and in a form acceptable to Pacific Land confirming that all necessary approvals and consents from the relevant PRC authorities required for the transfer of equity interest contemplated in the Acquisition Agreement have been duly obtained; and
4. completion of due diligence on Beilun Company in a manner satisfactory to Pacific Land.

The Acquisition will be completed on the fifth Business Day, or such later date as may be agreed between the Vendor and Pacific Land, after all the conditions precedent have been fulfilled. The Acquisition Agreement may be terminated at the option of either Pacific Land or the Vendor if the conditions precedents are not satisfied on or before 15 November 2004. In the event of such termination or termination by any other reasons, the Vendor shall forthwith refund to Pacific Land all payments made without interest.

#### REVISED JOINT VENTURE CONTRACT AND REVISED ARTICLES OF ASSOCIATION

**Parties:** Pacific Land, the Vendor and CHAM

In connection with the Acquisition, Pacific Land, the Vendor and CHAM will enter into the Revised Joint Venture Contract and the Revised Articles of Association to make certain revisions to the terms of the Joint Venture Contract and the Articles of Association. Upon the Revised Joint Venture Contract and Revised Articles of Association becoming effective, they will replace and supersede the existing Joint Venture Contract and the Articles of Association. The principal terms of both the Revised Joint Venture Contract and the Revised Articles of Association (which broadly follow the terms of the Joint Venture Contract and the Articles of Association respectively) are:

- (i) The registered capital of Beilun Company will be held by Pacific Land, the Vendor and CHAM in proportion of 44.9%, 10.1% and 45%, respectively.
- (ii) Beilun Company has a registered capital of US\$77,800,000 (equivalent to approximately HK\$606,840,000). The registered capital of Beilun Company has been fully paid and there is no further capital commitment. Pacific Land will be entitled to nominate two out of five directors to the board of Beilun Company. The Vendor and CHAM will be entitled to appoint one and two directors, respectively.
- (iii) The operating term of Beilun Company commenced on 8 November 2002 and will expire on 7 November 2037.
- (iv) Profits will be distributed to Pacific Land, the Vendor and CHAM in accordance with their proportionate contribution to the registered capital of Beilun Company, save that Pacific Land and the Vendor will be entitled to receive, in priority to CHAM's share of the profits, a prescribed minimum return of 8% of each of their respective contribution to the registered capital of Beilun Company.
- (v) Upon the dissolution of Beilun Company, the remaining assets will be distributed to Pacific Land, the Vendor and CHAM in accordance with their registered capital holdings.

The only substantial difference between the revised documents and the original documents is the inclusion of Pacific Land as a holder of a 44.9% equity interest in Beilun Company.

##### Beilun Company

Beilun Company is currently owned as to 55% and 45% by the Vendor and CHAM, a company incorporated in the PRC, respectively. Upon completion of the Acquisition Agreement, Beilun Company will be owned as to 44.9%, 10.1% and 45% by the Company, the Vendor and CHAM, respectively. The Vendor acquired its 55% equity interest in Beilun Company for US\$42,790,000 (approximately HK\$333,762,000) on 8 November 2002. The principal business of the Vendor is investment holding and the principal businesses of CHAM include investment holding, asset management, trading and financial advisory.

The audited net losses of Beilun Company, which were recorded in accordance with PRC GAAP, were approximately RMB2.90 million (approximately HK\$2.74 million) in respect of the financial year ended 31 December 2002 and approximately RMB22.06 million (approximately HK\$20.81 million) in respect of the financial year ended 31 December 2003. The audited net assets of Beilun Company were approximately RMB641.46 million (equivalent to approximately HK\$605.15 million) as at 31 December 2002 and RMB619.40 million (equivalent to approximately HK\$584.34 million) as at 31 December 2003.

##### Business of Beilun Company

Beilun Company is a sino-foreign joint venture established to undertake the right to operate and collect tolls from the Ningbo Beilun Port Expressway for a period of not less than 25 years from 1 January 2003.

The Ningbo Beilun Port Expressway (the "Toll Road") has a total distance of 51 kilometers, comprises a two directional four-lane carriageway and is designed for a maximum driving speed of 120 kilometers per hour. The Toll Road forms the Ningbo section of the Tongsan National Highway and originates at the east from the Beilun District of Ningbo, extends to the west and intersects with the Ningbo end of the Hangzhou-Ningbo Expressway and the future Ningbo-Jinhua (Yongjin) Expressway, at which it turns southwards and extends to connect with the Ningbo-Taizhou-Wenzhou Expressway. The Toll Road is an important route that connects Beilun Port, a major natural deep water port in China, to the prosperous regions in Zhejiang (i.e. Hangzhou in the west via the Hangzhou-Ningbo Expressway, as well as Wenzhou and Taizhou, two cities within the province).

The acquisition of the Toll Road by Beilun Company was effective in January 2003. Since then, the Toll Road has recorded significant growth, with an increase of 36% in the monthly toll revenue between January 2003 and December 2003. For the year 2003, the PCU per day, representing the average daily full-trip traffic volume, was estimated to be approximately 9,400 vehicles. The Toll Road is currently charging tolls ranging from approximately RMB25 (approximately HK\$23.58) for a Class 1 Vehicle (passenger car with fewer than 20 seats or cargo truck of less than 2 tons capacity) to RMB125 (approximately HK\$117.92) for a Class 5 Vehicle (cargo truck of more than 20 but less than 60 tons capacity) travelling full trip. To promote the usage of Beilun Port and usage of the Toll Road by truck drivers, Beilun Company agreed with the Ningbo government at the time of its acquisition of the Toll Road that it would not collect tolls from Classes 6 and 7 vehicles (container trucks of twenty-feet-equivalent-units or above) until 16 August 2004, but instead would receive a government subsidy. Beilun Company received a government subsidy of approximately RMB5.07 million (approximately HK\$4.78 million) for the year ending 2003. The Ningbo Government has agreed to provide the Toll Road with a subsidy of RMB10 million (approximately HK\$9.43 million) for the period from 16 August 2003 to 15 August 2004.

#### CONNECTED TRANSACTIONS

Mr. Lau Kan Shan holds indirectly approximately 73.58% of the entire issued share capital of the Company and is the ultimate controlling shareholder of the Company. Mr. Lau acquired control of the Company in June 2003 and there was no acquisition of assets from Mr. Lau and/or any of his associates since his gaining of control. Mr. Lau also holds approximately 99.99% of the entire issued share capital of the Vendor and is indirectly the controlling shareholder of CHAM, which together with the Vendor holds the entire equity interest in Beilun Company. Therefore each of the Vendor and CHAM is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition contemplated under the Acquisition Agreement as well as certain other arrangements to be entered into in connection with the Acquisition (namely, the Revised Joint Venture Contract and the Revised Articles of Association) will constitute connected transactions of the Company and will be conditional upon, among other things, approval by the Independent Shareholders by way of a poll at the SGM. Mr. Lau and his associates (as defined in the Listing Rules), which includes Mexan Group Limited, will abstain from voting at the SGM.

#### REASONS FOR THE ACQUISITION

The Company is currently engaged in property development and investment, securities investment and trading, hotel ownership and investment holding. It is the Group's long-term development strategy to identify and evaluate viable business opportunities from time to time for diversification of its business activities, the ultimate aim of which is to enhance profitability of the Group and shareholders' value in the Company.

In light of the PRC's rapid economic growth and its need for high-quality infrastructure and in line with the long-term development strategy mentioned above, the Company has identified the toll road sector in the PRC as a focus area for future development. The proposed Acquisition presents an opportunity for the Company to further diversify its business and the Directors are of the view that the Acquisition will benefit the Company by strengthening the Company's earnings base. The Directors believe that, with the anticipated benefits arising therefrom, the Acquisition is in the interests of the Company and its shareholders as a whole.

The Company is part of the Mexan group, a group of companies controlled by Mr. Lau and engaged in a variety of private business interests in the PRC (including Hong Kong) across the infrastructure (in particular toll-roads in the Greater Shanghai region), property, finance, entertainment, building supplies trading and other sectors.

#### SPECIAL GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

An Independent Board Committee will be formed to consider the terms of the Acquisition and to advise the Independent Shareholders of the Company as to whether such terms are fair and reasonable. Commerzbank has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition.

The Company has appointed BMI Appraisals, an independent professional valuer, to determine the fair market value of Beilun Company.

An SGM of the Company will be convened as soon as practicable and in compliance with the requirements under the Listing Rules at which an ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder, the Revised Joint Venture Contract and the Revised Articles of Association will be considered. Mr. Lau and his associates (as defined in the Listing Rules), which includes Mexan Group Limited, shall abstain from voting at the SGM.

A circular containing, among other things, details of the Acquisition, the business valuation report by BMI Appraisals, the advice from the independent financial adviser, the recommendation of the Independent Board Committee, and a notice of the SGM will be despatched to the shareholders of the Company as soon as practicable and in accordance with the Listing Rules.

#### DEFINITIONS

“Acquisition”	the acquisition by Pacific Land from the Vendor of 44.9% of the equity interest in Beilun Company pursuant to the Acquisition Agreement, the Revised Joint Venture Contract and the Revised Articles of Association
“Acquisition Agreement”	the equity transfer agreement dated 1 June 2004 entered into between Pacific Land and the Vendor for the Acquisition, enclosing the Revised Joint Venture Contract and the Revised Articles of Association, both in substantial draft form
“Articles of Association”	the current articles of association of Beilun Company
“Beilun Company”	Ningbo Beilun Port Expressway Company Limited (寧波北倉港高速公路有限公司), a joint venture company incorporated in the PRC on 25 July 2002, which is owned as to 55% by the Vendor and 45% by CHAM
“BMI Appraisals”	BMI Appraisals Limited
“Board”	the board of Directors
“Business Day”	a day on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“CHAM”	China Huaxing Asset Management Limited (中國華星資產經營有限公司), a company incorporated in the PRC which is indirectly controlled by Mr. Lau
“Commerzbank”	Commerzbank AG Hong Kong Branch, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Company”	MEXAN LIMITED, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Directors”	directors of the Company
“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee comprising independent non-executive Directors of the Company for the purpose of considering and advising the Independent Shareholders in connection with the Acquisition
“Independent Shareholders”	the shareholders of the Company excluding Mr. Lau and his associates (as defined under the Listing Rules, which includes Mexan Group Limited)
“Joint Venture Contract”	the current joint venture contract in connection with the establishment of Beilun Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lau”	Mr. Lau Kan Shan, chairman of the Company and the ultimate controlling shareholder of the Company, the Vendor and CHAM
“Pacific Land”	Pacific Land Limited, a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“PCU”	Passenger Car Unit, representing the traffic volume by converting vehicles of different classes into the equivalent number of Class 1 vehicles based on various levels of tolls charges on these different classes of vehicles
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Revised Articles of Association”	the articles of association, a substantial form of which is enclosed in the Acquisition Agreement, to be entered into prior to completion of the Acquisition by Pacific Land, the Vendor and CHAM in respect of Beilun Company which upon approval by the relevant PRC authorities will replace and supersede the Articles of Association
“Revised Joint Venture Contract”	the joint venture contract, a substantial form of which is enclosed in the Acquisition Agreement, to be entered into prior to completion of the Acquisition by Pacific Land, the Vendor and CHAM in respect of Beilun Company which upon approval by the relevant PRC authorities will replace and supersede the Joint Venture Contract
“SGM”	the special general meeting of the Company to be convened to approve the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mexan Holdings Limited, a company incorporated in Hong Kong which is approximately 99.99% owned by Mr. Lau

In this announcement, unless otherwise stated, certain amounts denominated in RMB have been converted (for information only) into HK\$ using an exchange rate of HK\$1.00:RMB1.06 and US\$1.00:HK\$7.80. Such conversion shall not be construed as a representation that amounts of RMB and US\$ were or may have been converted into HK\$ (as the case may be) using such exchange rate or any other.

By order of the Board  
**Yan Sheng**  
Chief Executive Officer

*The Board comprises Mr. Lau Kan Shan, Mr. Yan Sheng, Mr. Yuen Hiu Kwan and Ms. Ching Yung, all of whom are executive Directors, Mr. Lau Wai and Mr. Cheng Chun Pong, Paul, both of whom are independent non-executive Directors.*

Hong Kong, 1 June 2004

\* For identification purposes only