



## VERY SUBSTANTIAL DISPOSAL DISPOSAL OF INTEREST IN ELIZABETH HOUSE

Mexan has entered into a conditional agreement with a subsidiary of Kowloon Development whereby Mexan has agreed to procure the disposal by All Victory, an indirect wholly-owned subsidiary of Mexan, of the entire issued share capital of Winsworld and the benefit of the Shareholder's Loan for a cash consideration of HK\$1,342,000,000.00. Winsworld is a wholly-owned subsidiary of All Victory and the direct owner of the Property known as "Elizabeth House". Mexan will guarantee the performance of All Victory's obligations and Kowloon Development will guarantee the performance of Purchaser's obligations under the Agreement. The principal asset of Winsworld is the commercial and car park complex portion of the "Elizabeth House", located in Causeway Bay, Hong Kong. Under the Agreement, the Purchaser has the option to acquire the Property directly for the same consideration. Further details of the Agreement and the Property are set out below.

The net proceeds from the Disposal are estimated to be approximately HK\$1,327 million, of which approximately HK\$900 million will be used to repay the outstanding borrowings, approximately HK\$380 million will be held for future investments and approximately HK\$47 million will be used as general working capital of the Group.

**Based on the information so far provided by Mexan, the Stock Exchange is of the view that Mexan does not comply with the requirements under Rule 14.92 in respect of the Disposal. Mexan is in the course of preparing a further submission to the Stock Exchange in this regard and intends to resolve this issue with the Stock Exchange as soon as practicable but in any event before despatch of the Circular to the Shareholders. If the Disposal does not meet the requirements under Rule 14.92 and any other requirements of the Stock Exchange, the conditions of the Disposal (as described below) will not be fulfilled, and the Agreement will therefore lapse and hence the Disposal will not proceed. Mexan will issue a further announcement as and when appropriate.**

**As the Disposal may or may not proceed, Shareholders and the public are advised to exercise caution in dealing in the Shares.**

The Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to approval by the Shareholders. No Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Disposal at the SGM. A circular containing further information on the Disposal including an independent valuation report with respect to the Property, the notice of the SGM and form of proxy will be despatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended as from 3:31 p.m. on 15 October 2004 at the request of the Company pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 1 November 2004.

### THE PROVISIONAL SALE AND PURCHASE AGREEMENT

**Date: 15 October 2004 (as amended on 19 October 2004)**

#### Parties:

- Seller guarantor : Mexan Limited will guarantee the performance of obligations of All Victory
- Purchaser : Town House Development Limited, a wholly-owned subsidiary of Kowloon Development.
- Purchaser guarantor : Kowloon Development will guarantee the performance of the Purchaser's obligations.
- Winsworld : Winsworld Properties Limited, a direct wholly-owned subsidiary of All Victory and an indirect wholly-owned subsidiary of Mexan.

Kowloon Development was introduced to Mexan by an independent real estate agent to discuss the possibility of disposing of the Property. As at the date of the Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and Kowloon Development and their ultimate beneficial controlling shareholder are third parties independent of Mexan and its connected persons (as defined under the Listing Rules).

Kowloon Development, through its subsidiaries, is principally engaged in property development and investment, construction, property management, financial services and investments as well as world-wide film distribution.

#### The assets to be disposed of

Pursuant to the Agreement, Mexan will procure the disposal by All Victory of:

- the entire issued share capital of Winsworld comprising 100 shares of US\$1 each; and
- and the Shareholder's Loan. As at 31 March 2004, the Shareholder's Loan amounted to approximately HK\$1,310.9 million.

Winsworld was incorporated in the British Virgin Islands with limited liability and is a directly wholly-owned subsidiary of All Victory. All Victory is in turn a wholly-owned subsidiary indirectly held by Mexan. Winsworld's sole material asset is the Property. As at the date of this announcement, other than holding the Property, Winsworld is not engaged in any other business.

Based on the unaudited management accounts of Winsworld as at 31 March 2004, it had total asset of approximately HK\$1,668.8 million and net liabilities of approximately HK\$283 million. For the year ended 31 March 2003, Winsworld recorded an audited net loss before tax of approximately HK\$352 million and after tax of approximately HK\$354 million. Based on the unaudited management accounts of Winsworld for the year ended 31 March 2004, it recorded a net profit before tax and revaluation gain of approximately HK\$40.4 million and after tax and revaluation gain of approximately HK\$121 million. Pursuant to the Agreement, Mexan will discharge all debts or liabilities of Winsworld (if any) upon Completion, except for the Shareholder's Loan.

After the Disposal, Winsworld will not be a subsidiary of the Company.

#### The Property

Elizabeth House is located at numbers 250 – 254 of Gloucester Road, Causeway Bay, Hong Kong. The Property comprises the 7-storey commercial podium of Elizabeth House, various advertising signages on the exterior walls, roof and canopies of the podium, plus 175 car parking spaces. The Property was completed in 1978 and has a total gross floor area of approximately 21,803.42 sq.m. (234,692 sq.ft.) excluding the car parking spaces, advertising signages, roof and canopy areas.

On 20 June 2003, Winsworld entered into a management contract with Verywell Services Limited ("Verywell") for a term of three years up to 26 June 2006. Verywell was a wholly owned subsidiary of the Company (formerly known as Asean Resources Holdings Limited) before completion of a reorganisation in June 2003. Upon completion of the reorganisation, Verywell became a wholly-owned subsidiary of Besteam Limited, a private company established as a result of the reorganisation. To the best of the Directors' knowledge, information and belief having made all

reasonable enquiries, Besteam Limited and its ultimate beneficial owner are independent third parties and not connected persons (as defined under the Listing Rules) of the Company. The Property has been managed by Verywell since 1998. The management contract was designed to assist the Mexan Group to manage the Property. Under the management contract, Verywell agreed to provide management services in respect of the Property. Verywell also provided a guarantee to Winsworld that the annual rental income to be generated from the Property will not be less than HK\$78 million with any income in excess of that amount to be retained by Verywell. The management period covers a period of three years up to 26 June 2006.

Winsworld recorded an annual gross rental income of approximately HK\$90.4 million for the year ended 31 March 2004 and HK\$76.6 million for the year ended 31 March 2003. The occupancy rate of the Property in October 2004 is approximately 99.6%. The gross rental income generated by the Property in October 2004 was approximately HK\$7.3 million.

#### PRINCIPAL TERMS OF THE AGREEMENT

##### Consideration

HK\$1,342,000,000

The terms of the Agreement including the consideration were negotiated between the Company and Kowloon Development on an arm's length basis with reference principally to the prevailing market conditions in Hong Kong. The Directors consider that the consideration is fair and reasonable.

An independent valuation report on the Property will be included in the Circular to be despatched to the Shareholders in due course.

##### Payment terms

- an initial deposit of HK\$50,000,000 was paid by the Purchaser to Mexan's solicitors as escrow agent upon execution of the Agreement. Mexan's solicitors will release the said initial deposit to Mexan only if (a) Mexan's solicitors have proved to the Purchaser's solicitors that Winsworld has good title to the Property and (b) Mexan's solicitors have produced proof to the Purchaser's solicitors that the balance of the purchase price is sufficient to redeem the Property from the existing mortgage to which the Property is subject.
- a further deposit in the sum of HK\$84,200,000 is to be paid by the Purchaser to Mexan's solicitors as escrow agent upon the signing of the formal sale and purchase agreement. Mexan's solicitors will release the said further deposit to Mexan only upon fulfillment of the conditions (a) and (b) in sub-paragraph (i) above.
- the balance of the consideration of HK\$1,207,800,000 is to be paid by the Purchaser to Mexan upon Completion.

##### Conditions of the Disposal

Completion is subject to the satisfaction of the following conditions:

- the Purchaser and Mexan (as the case may be) having satisfied all relevant requirements of the Listing Rules;
- Mexan having satisfied any and all requirements of the Stock Exchange;
- Mexan having obtained all necessary consents from its lenders to this Agreement; and
- Mexan having obtained all necessary consents of the holders of all outstanding convertible notes (which was announced on 22nd October 2003 and will expire on 5 November 2006) to this Agreement.

None of the above conditions is waivable without the consents of all the parties to the Agreement.

**Based on the information so far provided by Mexan, the Stock Exchange is of the view that Mexan does not comply with the requirements under Rule 14.92 in respect of the Disposal. Mexan is in the course of preparing a further submission to the Stock Exchange in this regard and intends to resolve this issue with the Stock Exchange as soon as practicable but in any**

**event before despatch of the Circular to the Shareholders. If the Disposal does not meet the requirements under Rule 14.92 and any other requirements of the Stock Exchange, the conditions of the Disposal (as described above) will not be fulfilled, the Agreement will therefore lapse and hence the Disposal will not proceed. Mexan will issue a further announcement as and when appropriate.**

A formal sale and purchase agreement shall be executed by the parties to the Agreement and All Victory on or before 5 November 2004. The Purchaser intends to engage a management services provider within its own group to provide property management services for the Property upon Completion. Mexan has agreed under the Agreement to use its best endeavours to negotiate the termination of the management contract with Verywell in respect of the Property prior to execution of the formal sale and purchase agreement. In the event that the management contract is terminated, Verywell will be released from the guarantee.

In the event that by 1 March, 2005 (or such later date as Mexan and the Purchaser shall agree) (i) any one or more of the conditions is not satisfied, Mexan will repay to the Purchaser the Deposits without any interest and none of the parties to the Agreement will have any claim against the other except for any antecedent breaches; or (ii) all the conditions are satisfied but the Purchaser fails to proceed to complete the transaction with Mexan, then Mexan will be entitled to forfeit and retain the Deposits and, save as aforesaid, all liabilities of the parties will cease and determine.

#### **Completion date**

Subject to the fulfillment of all the conditions to the Agreement set out above and proof of good title to the Property in accordance with section 13 of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong), Completion will take place on or before the later of 25 January 2005 and within 7 days following satisfaction of the conditions to the Agreement, which in any event must not be later than 1 March 2005.

#### **Option for the purchase of the Property**

At the request of Kowloon Development and after considering the limited time available for the Purchaser to perform the necessary financial and legal due diligence on Winsworld before signing of the Agreement, Mexan agreed to grant to the Purchaser the option to acquire the Property directly from Winsworld under terms and conditions (including the consideration) equivalent to those under the Agreement. The Purchaser may exercise this option on or before 1 November 2004, being 10 working days from the date of the Agreement, by serving a written notice on Mexan to such effect. In the event that the option is not exercised on or before 1 November 2004, the Disposal will proceed in accordance with the terms and conditions under the Agreement. In the event that the option is exercised, the Purchaser agrees to purchase the Property subject to its existing tenancies and licenses and such tenancies and licenses shall be assigned to the Purchaser upon Completion. A further announcement will be made by Mexan as soon as reasonably practicable upon the exercise or expiry of the option, or the Purchaser notifying Mexan that the option will not be exercised.

#### **USE OF PROCEEDS**

It is agreed under the Agreement that Mexan will be responsible for agency fee and the Purchaser will be responsible for the stamp duty arising from the Disposal. It is also agreed that each of the parties will bear their own costs arising from the Disposal. Taking into account the agency fees and the professional and legal fees to be incurred by the Group, the net proceeds from the Disposal are estimated to be approximately HK\$1,327 million. The Directors intend that approximately HK\$900 million will be used to repay the outstanding borrowings of approximately HK\$900 million in accordance with the unaudited consolidated management accounts of the Company dated 30 June 2004, approximately HK\$380 million will be held for future investment, principally in hotel or toll-road, when appropriate opportunity arises. As no appropriate investment opportunity has been identified at the date of this announcement, the allocation of the proceeds between future investments in hotel and toll-road cannot be ascertained. In addition, it is not the intention of the Board to utilise any part of the HK\$380 million for or in connection with the acquisition of the 44.9% interest in Ningbo Beilun Port Expressway Company Limited as announced on 1 June 2004. The remaining approximately HK\$47 million will be used as general working capital of the Group.

#### **FINANCIAL EFFECTS OF THE DISPOSAL**

As part of the proceeds from the Disposal will be used to repay the outstanding borrowings, interest expenses will be reduced and Mexan's cashflow position will be improved accordingly.

The Group acquired interests in the Property from various parties since 1986. In 1989 the Group completed the acquisition of a further 49% effective interest in the Property and became the sole owner of the Property, which was valued at approximately HK\$600 million. According to the Group's accounting policy, the revaluation reserve in respect of the Property, which was approximately HK\$900 million as at 31 March 2003, will be realised as profit as a result of the Disposal. Having taken into account the consideration for the Disposal of approximately HK\$1.3 billion, the audited net carrying value of the Property of approximately HK\$1.5 billion as at 31 March 2003, and the revaluation reserve of approximately HK\$900 million, the Group will record a profit from Disposal of approximately HK\$700 million upon Completion.

#### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Mexan is currently engaged in property development and investment, securities investment and trading, hotel ownership and investment holding. The Group entered into an agreement with Hutchison Whampoa Limited in November 2003 to purchase the "Mexan Harbour Hotel", an 800-room hotel in Tsing Yi, for HK\$660 million, allowing the Group to expand its business into the hotel sector. The Group ceased to hold approximately 47.7% interest in Hotel Nikko in Kowloon and approximately 24.8% interest in the JW Marriott Hotel in Hong Kong after completion of the reorganisation in June 2003. Under the sale and purchase agreement with Hutchison Whampoa Limited, the purchase will be completed no later than 30 December 2004, subject to completion of legal procedures and documentation in respect of the transfer of title of Mexan Harbour Hotel. In addition, the Group expects to complete the purchase of a 44.9% interest in the operating company of the Ningbo Beilun Port Expressway, subject to fulfillment of certain conditions including, among other things, approval from Shareholders other than the controlling Shareholder and his associates (as defined under the Listing Rules).

The Directors consider that the Hong Kong economy has bottomed out and the property market has revived. In this improved economic climate, the Group has been seeking to realise its investment properties. The Directors believe that the Disposal represents a good opportunity for the Company to realise the Property at a reasonable price, enabling the Group to reduce its borrowings and future interest expenses and improve its working capital position. The Directors consider the Group will be well-placed after the Disposal to pursue its business in the promising and growing hotel and toll-road sectors, which is consistent with the Group's stated intention as described in its interim report

for the six months ended 30 September 2003 in respect of the hotel business, and in the announcement of the Company dated 1 June 2004 in respect of the toll-road business.

#### **GENERAL**

The Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Pursuant to the Listing Rules, the Disposal is conditional on the approval by the Shareholders at the SGM. No Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Disposal at the SGM. The Circular containing further information on the Disposal including an independent valuation report with respect to the Property, a notice of the SGM and form of proxy will be despatched to Shareholders as soon as practicable.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 3:31 p.m. on 15 October 2004 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares Company with effect from 9:30 a.m. on 1 November 2004.

**As the Disposal may or may not proceed, Shareholders and the public are advised to exercise caution in dealing in the Shares.**

#### **DEFINITIONS**

"Agreement"	the legally binding provisional sale and purchase agreement dated 15 October 2004 in connection with the Disposal, as supplemented by a supplemental agreement dated 19 October 2004
"All Victory"	All Victory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of Mexan
"Board"	the board of Directors
"Circular"	a circular with further details on the Disposal that will be despatched to the Shareholders in accordance with the Listing Rules
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Agreement
"Deposits"	the aggregate of the initial deposit and further deposit payable under the Agreement
"Directors"	Directors of Mexan
"Disposal"	the proposed disposal of the entire issued share capital of Winsworld and the benefit of the Shareholder's Loan in accordance with the terms and conditions of the Agreement
"Group"	Mexan and its subsidiaries
"Kowloon Development"	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"HK\$"	Hong Kong dollars
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mexan" or "Company"	Mexan Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Mexan Group"	Mexan and its subsidiaries
"Property"	the commercial and car park complex of a building known as "Elizabeth House" as detailed in the sub-paragraph headed "The Property" in this announcement
"Purchaser"	Town House Development Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Kowloon Development
"SGM"	special general meeting of Mexan to be convened and held for Shareholders to consider, and if thought fit, approve the Disposal
"Shareholder(s)"	holder(s) of Share(s)
"Shareholder's Loan"	the benefit of all the outstanding advances due from Winsworld to Mexan as at Completion
"Share(s)"	ordinary share of HK\$0.10 each in the issued capital of Mexan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Winsworld"	Winsworld Properties Limited, a company incorporated in the British Virgin Islands with limited liability, an indirectly wholly-owned subsidiary of Mexan

By Order of the Board of  
**MEXAN LIMITED**  
**Yan Sheng**  
Chief Executive Officer

Hong Kong, 29 October 2004

*At the date of this announcement, the executive Directors are Mr. Lau Kan Shan, Mr. Yan Sheng, Mr. Yuen Hiu Kwan and Ms. Ching Yung and the independent non-executive Directors are Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Cheng Chun Pong, Paul.*

*\* For identification purposes only*