



MEXAN LIMITED

茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

ANNOUNCEMENT

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

**Acquisition of a 55.1% equity interest in
Ningbo Beilun Port Expressway Company Limited
CONTINUING CONNECTED TRANSACTIONS**

**Management Agreement (as amended) in respect of the management of
the Ningbo Beilun Port Expressway
RESUMPTION OF TRADING IN THE SHARES**

Acquisition of a 55.1% equity interest in Ningbo Beilun Port Expressway Company Limited which also constitutes a connected transaction of the Company

The Board wishes to announce that on 15 August 2005, Portfield, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors for the purchase of a total 55.1% equity interest in Beilun Company. The total consideration payable by Portfield for the Acquisition is HK\$530 million which will be satisfied by the payment of cash and the transfer of the entire interest (including the relevant shareholder's loans) in three of the Company's indirect wholly-owned subsidiaries which principal assets comprise properties in the PRC and Beilun Company owns and operates the Ningbo Beilun Port Expressway.

Mr. Lau, the chairman and an executive Director, 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 a beneficial interest of approximately 99.99% in the issued share capital of MHL and a majority interest in Shanghai Mexan which in turn holds a 66.67% equity interest in CHAM. MHL and CHAM together hold a total 55.1% equity interest in Beilun Company which is to be transferred to the Group pursuant to the Acquisition Agreement. Accordingly, each of the Vendors is a connected person of the Company under the Listing Rules and the Acquisition contemplated under the Acquisition Agreement constitutes a connected transaction of the Company and is conditional upon, among other things, the approval by the Independent Shareholders by way of poll at the SGM. Mr. Lau and his associates (as defined in the Listing Rules) will abstain from voting at the SGM.

Management Agreement (as amended)

Pursuant to the Acquisition Agreement, it is agreed that upon Completion, Beilun Company shall enter into a supplemental agreement in respect of the management of the Ningbo Beilun Port Expressway. The transactions contemplated under the Management Agreement (as amended) will constitute non-exempt continuing connected transactions of the Company under Rule 14A(35) of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Lau and his associates (as defined in the Listing Rules) will abstain from voting at the SGM. Details of the above continuing connected transactions are set out below in this announcement.

General

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the continuation of the transactions contemplated under the Management Agreement (as amended). A circular containing, among other things, details of the Acquisition Agreement, the Management Agreement (as amended), the independent valuation report of Beilun Company, the report from the traffic expert, the independent property valuation report, 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.

Suspension and resumption of trading in the Shares

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 16 August 2005 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 September 2005.

BACKGROUND

The Group completed the acquisition of a 44.9% equity interest in Beilun Company in February 2005. Beilun Company owns and operates the Ningbo Beilun Port Expressway. The consideration for such acquisition was HK\$270 million, representing an approximately 34.3% discount to the then valuation of the 44.9% equity interest in Beilun Company of approximately HK\$411 million as appraised by an independent valuer. Details of the above acquisition are set out in the circular of the Company dated 5 November 2004. In May 2005, the Company announced that its wholly-owned subsidiary namely Niceview Limited ("Niceview") had entered into four legally binding Memoranda of Understanding (the "MOU(s)") with three different toll road companies controlled by Mr. Lau, the controlling shareholder of the Company. Under the MOUs, the Group is granted a 18-month's exclusivity period during which it has the exclusive rights to negotiate for the acquisition of certain toll road interests, including the remaining 55.1% equity interest in Beilun Company (the "Interest"). The Board is pleased to announce that Niceview has released its rights in respect of the Interest under the MOU in favour of Portfield, another wholly-owned subsidiary of the Company, and Portfield has entered into an agreement to acquire the remaining 55.1% equity interest in Beilun Company. Details of the acquisition are set out below in this announcement.

ACQUISITION AGREEMENT DATED 15 AUGUST 2005

Parties

Vendors: MHL
CHAM
Purchaser: Portfield, an indirect wholly-owned subsidiary of the Company

Asset to be acquired

Under the Acquisition Agreement, the Purchaser agreed to acquire and MHL and CHAM agreed to sell 10.1% and 45% equity interests in Beilun Company respectively.

Consideration

The total consideration payable by the Purchaser to the Vendors for the Acquisition is HK\$530 million. The consideration (including the payment terms) for the Acquisition was arrived at after arm's length negotiation between the Purchaser and the Vendors. In determining the consideration, the Directors have taken into account the long-term prospect of the toll road business of Beilun Company and the ability to gain control over Beilun Company following completion of the Acquisition. In light of the above, the Directors are of the view that the consideration is fair and reasonable.

An independent valuation report on Beilun Company will be included in the circular to be despatched to the shareholders of the Company in due course.

Conditions Precedent

Completion of the Acquisition is conditional upon fulfilment of the following conditions:

1. Pacific Land and the Purchaser enter into an agreement in respect of the transfer of the 44.9% equity interest in Beilun Company held by Pacific Land to the Purchaser and the obtaining of approvals for the transfer from the relevant PRC authorities;
2. the obtaining of the consent from each of the Vendors in respect of the Acquisition and their forfeiting of the rights of first refusal in respect of the disposals of the equity interests in Beilun Company;
3. completion of legal and financial due diligence by the Purchaser on Beilun Company in a manner satisfactory to the Purchaser and the receipt by the Purchaser of a legal opinion issued by a PRC law firm in a form acceptable to the Purchaser in relation to the assets and due incorporation of Beilun Company;
4. the registration of the memorandum and articles of association of Beilun Company as amended to facilitate the Acquisition and the obtaining of approvals from the relevant PRC authorities and upon the completion of such registration, the receipt by the Purchaser from a PRC law firm acceptable to the Purchaser of a legal opinion in a form satisfactory to the Purchaser;
5. the passing of an ordinary resolution at the SGM by the Independent Shareholders approving the Acquisition (with Mr. Lau and his associates (as defined in the Listing Rules) abstaining from voting in respect of such resolution at the SGM); and
6. the Company having satisfied all relevant requirements of the Listing Rules in respect of the Acquisition.

According to the terms of the Acquisition Agreement, the long-stop date for the completion of the Acquisition is 180 days from the date of the Acquisition Agreement, and may be extended by a further 90 days if agreed by the Purchaser and the Vendors in writing.

In respect of condition 4 above, it is necessary to amend the articles of association of Beilun Company to reflect the change of shareholding structure of Beilun Company from a Sino-foreign co-operative joint venture to a wholly foreign owned enterprise.

Beilun Company

Beilun Company was incorporated in the PRC on 25 July 2002 and has a paid-up registered capital of RMB644,363,782 (equivalent to approximately HK\$619,580,560). Prior to the acquisition of the 44.9% equity interest in Beilun Company by the Group in 2004, Beilun Company was owned as to 55% by MHL and 45% by CHAM. The investment costs of MHL and CHAM for their 55% and 45% equity interest in Beilun Company was approximately US\$42.8 million (equivalent to approximately HK\$333.8 million) and approximately US\$35.0 million (equivalent to approximately HK\$273 million) respectively. Upon completion of the aforesaid acquisition by the Group, Beilun Company is owned as to 44.9% by the Group, 45% by CHAM and the remaining 10.1% by MHL. The principal business of MHL is investment holding and the principal businesses of CHAM are, among other things, asset management and investment holding.

The board of directors of Beilun Company ("Beilun Board") currently comprises five directors ("Beilun Directors"), of which the Company has two representatives. Upon completion of the Acquisition Agreement, Beilun Company will become an indirect wholly-owned subsidiary of the Company and the three Beilun Directors who were not nominated by the Company would resign. The Company may consider to nominate additional directors to the Beilun Board.

Based on the audited accounts of Beilun Company prepared by its auditors in the PRC in accordance with the accounting principles and the relevant financial regulations applicable to enterprises established in the PRC, the turnover of Beilun Company for the two years ended 31 December 2004 were approximately RMB90.2 million (equivalent to approximately HK\$86.7 million) and RMB118.7 million (equivalent to approximately HK\$114.1 million) respectively, and the gross profits for the same period were approximately RMB61.0 million (equivalent to approximately HK\$58.7 million) and RMB73.5 million (equivalent to approximately HK\$70.7 million) respectively. Based on the above accounts, the net losses before taxation of Beilun Company for the two years ended 31 December 2004 were approximately RMB22.1 million (equivalent to approximately HK\$21.2 million) and approximately RMB12.0 million (equivalent to approximately HK\$11.5 million) respectively. No profits tax was charged to Beilun Company for the two years ended 31 December 2004. The amount of the audited net assets of Beilun Company was approximately RMB607.4 million (equivalent to approximately HK\$584.0 million) as at 31 December 2004.

Business of Beilun Company

Beilun Company is a Sino-foreign co-operative joint venture which principal asset is the right to operate and collect tolls from the Ningbo Beilun Port Expressway (the "Rights") for a period of 25 years commencing from 1 January 2003 and its principal business is such operation. Upon Completion, Beilun Company will become a wholly foreign owned enterprise. According to the legal opinion issued by the Company's PRC legal advisers, Beilun Company will continue to enjoy the Rights following Completion by then it will have been transformed into a wholly foreign owned enterprise. Beilun Company will cease to have the Rights upon the expiry of the 25 years' period.

The Ningbo Beilun Port Expressway (the "Toll Road") has a total length of 51 kilometres and is a two directional four-lane carriageway with a designed driving speed of 120 kilometres per hour. The Toll Road forms the Ningbo section of the Tongsan National Highway and originates from 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 and connects with the Ningbo-Taizhou-Wenzhou Expressway. The Toll Road is an important route that connects Beilun Port, a major natural deep water port in the PRC, 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. For the years 2003 and 2004, the average daily full-trip traffic volume was approximately 13,000 PCU and 16,500 PCU respectively. The toll fee for travelling the full road ranges from approximately RMB25 for a passenger car with less than 20 seats or cargo truck of less than 2-ton capacity to RMB125 per cargo truck of more than 20 but less than 60-ton capacity. Based on the audited accounts of Beilun Company prepared by its auditors in the PRC in accordance with the accounting principles and the relevant financial regulations applicable to enterprises established in the PRC, the toll received by Beilun Company for the two years ended 31 December 2004 were approximately RMB86.2 million (equivalent to approximately HK\$82.9 million) and RMB113.7 million (equivalent to approximately HK\$109.3 million) respectively and the government subsidy received by Beilun Company during the same period were approximately RMB4 million (equivalent to approximately HK\$3.8 million) and RMB5 million (equivalent to approximately HK\$4.8 million) respectively. This subsidy related to the promotion of the usage of Beilun Port and the usage of the Toll Road by truck drivers, under which Beilun Company agreed with the Ningbo government at the time of its acquisition of the Toll Road that it would not collect toll from container trucks of twenty-foot-equivalent-units or above, but instead would receive a government subsidy. Beilun Company continued receiving the government subsidy until April 2005 and from which time it commenced receiving toll from container trucks of twenty-foot-equivalent-units or above.

Payment Terms

The consideration for the Acquisition will be satisfied by the Group in the following manner:

1. by payment of HK\$53 million in cash, representing 10% of the total consideration for the Acquisition, by the Group to the Vendors within 10 days from the date of the Acquisition Agreement. This payment will be made as to HK\$9,715,063.52 to MHL and as to HK\$43,284,936.48 to CHAM. If the Acquisition is not approved by the Independent Shareholders at the SGM, the Vendors will need to refund the above payments (without any interest) to the Group within 15 days from the notice of the Company to that effect;
2. by payment of HK\$132.5 million in cash, representing 25% of the total consideration for the Acquisition, by the Company to the Company's solicitors within 10 days from the date of the Acquisition Agreement. This payment will be made as to HK\$24,287,658.80 to MHL and as to HK\$108,212,341.20 to CHAM. In the event the Acquisition is approved by the Independent Shareholders at the SGM and the completion of the Acquisition Agreement becomes effective, these payments will be applied for the satisfaction of HK\$132.5 million of the total consideration for the Acquisition. If the Acquisition is not approved by the Independent Shareholders at the SGM, the Company's solicitors will need to refund the above payments without any accrued interest to the Group within 15 days from the notice of the Company to that effect;
3. by payment of the balance of the total consideration of HK\$344.5 million by the Group to the Vendors within 10 days from the Completion. This balance payment will be satisfied by the Group through the transfer of the entire interests (including the relevant shareholder's loans) in three of its indirect wholly-owned subsidiaries which principal assets comprise properties in the PRC. The subsidiaries to be transferred to the Vendors are Raisefull Limited ("Raisefull"), Sharpstate Limited ("Sharpstate") and Pacific Land. The Directors consider that this payment method will enable the Group to conserve resources for the development of the growing and promising toll-road sectors in the PRC which will become the long-term core business of the Group.

The principal assets of Raisefull are the 2-level shop area and the 3-level commercial area located at no. 70 Zhilong, 2000 Long Beizhailu, Shanghai, the PRC. The Group acquired these properties from a third party independent of the Company and its connected persons (as defined under the Listing Rules) in December 2004 at a price of approximately RMB110.9 million. As at the date of this announcement, the construction works for these properties have been completed but the internal renovation is in progress. Based on the unaudited management accounts of Raisefull for the year ended 30 June 2005, the book value of the properties was approximately HK\$104.6 million as at 30 June 2005. As per an independent valuer, the indicative value of such property as at 31 July 2005 was approximately RMB135.5 million (equivalent to approximately HK\$130.3 million). Based on the aforesaid unaudited management accounts, the shareholder's loan to be transferred to the Vendors amounted to approximately HK\$104.6 million as at 30 June 2005.

Sharpstate's principal assets are 11 commercial units located at no. 801 Yinghualu, Pudong New District in Shanghai, the PRC. The Group acquired these properties from a third party independent of the Company and its connected persons (as defined under the Listing Rules) in December 2004 at a price of approximately RMB124.0 million. As at the date of this announcement, these properties have not been leased to any tenants. Based on the unaudited management accounts of Sharpstate for the year ended 30 June 2005, the book value of the properties was approximately HK\$128.3 million as at 30 June 2005. As per an independent valuer, the indicative value of these properties as at 31 July 2005 was approximately RMB136 million (equivalent to approximately HK\$130.8 million). Based on the aforesaid unaudited management accounts, the shareholder's loan to be transferred to the Vendors amounted to approximately HK\$120.6 million as at 30 June 2005.

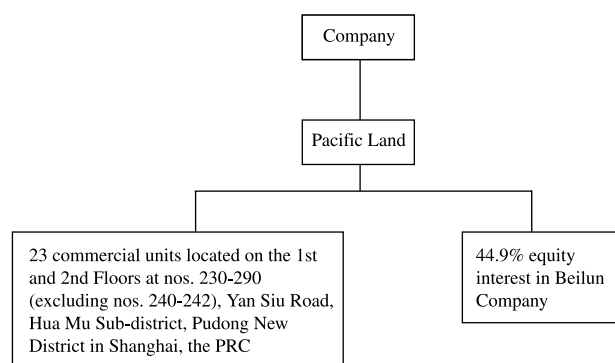
Pacific Land holds 23 commercial units located on the 1st and 2nd Floors at nos. 230-290 (excluding nos. 240-242), Yan Siu Road, Hua Mu Sub-district, Pudong New District in Shanghai, the PRC. The Group acquired these properties from a third party independent of the Company and its connected persons (as defined under the Listing Rules) in November 2004 at a price of approximately RMB74.1 million. As at the date of this announcement, these properties have not been leased to any tenants. Based on the unaudited management accounts of Pacific Land for the year ended 30 June 2005, the book value of the properties was approximately HK\$84.4 million as at 30 June 2005. As per an independent valuer, the indicative value of these properties as at 31 July 2005 was approximately RMB89.5 million (equivalent to approximately HK\$86.1 million). In addition to these properties, Pacific Land also holds the Group's 44.9% equity interest in Beilun Company. As mentioned above, it is a condition precedent to the completion of the Acquisition Agreement that Pacific Land and the Purchaser enter into an agreement in respect of the transfer of the 44.9% equity interest in Beilun Company held by Pacific Land to the Purchaser and obtaining all approvals to effect such transfer from the relevant PRC authorities. The effect of this arrangement is that the Purchaser will hold the entire equity interest in Beilun Company upon Completion and the assets to be disposed of to the Vendors by way of the transfer of Pacific Land will only comprise the aforesaid properties held by Pacific Land and the related shareholder's loan. Based on the unaudited management accounts of Pacific Land, the shareholder's loan to be transferred to the Vendors amounted to approximately HK\$73.3 million as at 30 June 2005.

According to the Acquisition Agreement, MHL will receive an approximately 75.7% equity interest in Pacific Land and approximately HK\$55.5 million of the related shareholder's loan in satisfaction of approximately HK\$63.1 million of the consideration payable to it, whilst CHAM will receive approximately 24.3% equity interest in Pacific Land and approximately HK\$17.8 million of the related shareholder's loan, and the entire equity interests in both Raisefull and Sharpstate and the entire amounts of the shareholder's loans extended to these subsidiaries in satisfaction of approximately HK\$281.4 million of the consideration payable to it.

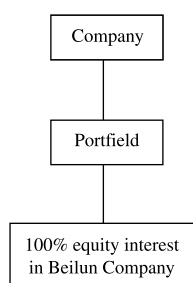
The valuation of the above properties have not been finalized as at the date of this announcement. The independent valuation report of these properties will be included in the circular to be despatched to the shareholders of the Company in due course.

Set out in the following is the shareholding structure in respect of the Group's holding of Beilun Company before and after completion of the Acquisition:

Before completion of the Acquisition:



After completion of the Acquisition:



Other terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, it is agreed that upon Completion, Beilun Company will enter into another supplemental agreement with Shanghai Mexan in respect of the management of the Toll Road and an asset pledge agreement with MHL and CHAM. Details of the above agreements are set out in the paragraph headed "Management Agreement (as amended) and Asset Pledge" below.

Very Substantial Acquisition and Connected Transaction

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. Mr. Lau, the chairman and an executive Director, holds indirectly approximately 73.58% of the issued share capital of the Company and is the ultimate controlling shareholder of the Company. Mr. Lau also holds a beneficial interest of approximately 99.99% in the issued share capital of MHL and a beneficial interest of approximately 74.7% in Shanghai Mexan which in turn holds a 66.67% equity interest in CHAM. MHL and CHAM together hold a total 55.1% equity interest in Beilun Company which is to be transferred to the Group pursuant to the Acquisition Agreement. Accordingly, each of the Vendors is a connected person of the Company under the Listing Rules and the Acquisition contemplated under the Acquisition Agreement also constitutes a connected transaction of the Company under the Listing Rules and will be conditional upon, among other things, the approval by the Independent Shareholders by way of poll at the SGM. Mr. Lau and his associates (as defined in the Listing Rules) will abstain from voting at the SGM.

REASONS FOR THE ACQUISITION

The Group is currently engaged in property investment, hotel investment and investment holding. As mentioned in the Group's 2005 annual report, the Directors expect that the PRC economy will maintain a high average single-digit growth rate which would likely lead to a higher overall national traffic volume. As such, the PRC toll road industry is expected to be a fast growing industry which would enjoy a high growth rate of revenue in the coming years. The Company plans to further develop the toll road operation in the PRC to become the Group's core businesses. The Group had already gained access to this growing industry through its acquisition of the 44.9% equity interest in Beilun Company in February 2005. The Board is of the view that the Acquisition represents a good opportunity for the Group to acquire control over a PRC toll road business which is in line with the Group's long-term strategy. Subsequent to the Acquisition, the Group would continue its other business including hotel operation, though spare resources would be focused on developing the Group's toll road operation in the PRC.

The Directors consider that it is reasonable for Beilun Company, an infrastructure project company with significant investment, to record losses during the early stage of its operations (commenced since December 1999) which were mainly due to the substantial amount of financing costs. However, for the reasons stated above, the Directors are optimistic about the long-term prospects of Beilun Company. For reference purposes, as illustrated in the paragraph headed "Beilun Company" above, the turnover and gross profit of Beilun Company for the year ended 31 December 2004 improved substantially with a growth of approximately 31.5% and 20.5% respectively when compared to the figures for 2003. On this basis, the Directors expect that the Acquisition will bring a growing and stable contribution to the Group's turnover and therefore the value of the Company will be enhanced. 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.

MANAGEMENT AGREEMENT AND ASSET PLEDGE

Background

In June 2004, Beilun Company and Shanghai Mexan entered into an agreement (as amended by a supplemental agreement dated 2 August 2004) whereby Shanghai Mexan is employed to manage Ningbo Beilun Port Expressway for a period of 24 years commencing from 1 July 2004 and expiring on 30 June 2028 (the "Management Agreement") at an annual management fee of RMB12.5 million (equivalent to approximately HK\$12.0 million) (the "Management Fee"). Pursuant to the Management Agreement, Shanghai Mexan is responsible for all daily operational and maintenance costs of Beilun Company (except for major maintenance cost). Under the Management Agreement, Beilun Company has made a payment to Shanghai Mexan for the management fee in the sum of RMB300 million (equivalent to approximately HK\$288.5 million) (the "Sum") for the entire 24-year term of the Management Agreement. Based on the best knowledge of the Directors, the Management Fee of RMB300 million was financed by internal resources of Beilun Company. In February 2005, Beilun Company and Shanghai Mexan have further agreed that Beilun Company has the right to terminate the Management Agreement (as amended) by giving a 6-month written notice to Shanghai Mexan.

Management Agreement (as amended) and Asset Pledge

Pursuant to the Acquisition Agreement, it is agreed that upon Completion, Beilun Company will enter into another supplemental agreement with Shanghai Mexan pursuant to which, among other things, the term of the Management Agreement will be reduced from 24 years to 3 years commencing from 1 July 2004 and expiring on 30 June 2007, and Shanghai Mexan will repay RMB262.5 million (equivalent to approximately HK\$252.4 million) to Beilun Company upon expiry of the Management Agreement (as amended) which represents the balance of the RMB300 million lump sum payment after deduction of the aggregate Management Fee of RMB37.5 million for the aforesaid 3-year period. In addition, it is also agreed under the Acquisition Agreement that MHL, CHAM and Beilun Company will upon Completion enter into an agreement pursuant to which MHL and CHAM will pledge their entire interests in Pacific Land, Raisefull and Sharpstate including the interests in the properties in the PRC as mentioned in the paragraph headed "Payment Terms" above to Beilun Company as security for the repayment of the RMB262.5 million by Shanghai Mexan. Given the Group does not currently have a professional team to manage the Toll Road, the Directors believe that the continuation of the Management Agreement (as amended) would ensure proper operation of the toll road business. To the best knowledge of the Directors, the prepayment arrangement for the Management Fee is part of the commercial terms of the Management Agreement (as amended) agreed between Beilun Company and Shanghai Mexan before the Group became a shareholder of Beilun Company. In this regard, the Stock Exchange holds the view that following completion of the Acquisition, the prepayment of the Management Fee of RMB300 million constitutes financial assistance by the Group to Shanghai Mexan under the Listing Rules which is subject to the approval by the Independent Shareholders at the SGM.

Under the Management Agreement (as amended), Shanghai Mexan will provide management services to Beilun Company including:—

- (a) preparing business plans and development and yearly management directions for approval by the board of directors of Beilun Company and assisting in formulating and adjusting the internal management policies;
- (b) representing Beilun Company in managing the toll collection of the Ningbo Beilun Port Expressway and the obtaining of the relevant filing reports and obtaining information regarding the toll collection, management, lighting and electrical system;
- (c) assisting with the maintenance and environmental protection and representing Beilun Company in signing relevant maintenance agreements; and
- (d) representing Beilun Company in corresponding with the relevant government authorities in relation to the relevant approvals and approval documents (including adjustments to toll fees).

There is also a performance-related payment mechanism by which if the revenue of Beilun Company for each of the 3 years from 1 July 2004 to 30 June 2007 does not meet certain specified targets under the Management Agreement (as amended), Shanghai Mexan shall pay Beilun Company certain amounts by reference to the amount of shortfall. Details of the aforesaid performance-related payment mechanism will be included in the circular to be despatched to the shareholders of the Company.

Continuing connected transactions

Due to the relationship between Mr. Lau and Shanghai Mexan as mentioned in the paragraph headed "Very Substantial Acquisition and Connected Transaction" above, Shanghai Mexan is a connected person of the Company. Upon completion of the Acquisition, Beilun Company will become a wholly-owned subsidiary of the Company and accordingly the transactions contemplated under the Management Agreement (as amended) in respect of the management and operation of the Toll Road will constitute non-exempt continuing connected transactions of the Company under Rule 14A(35) of the Listing Rules (the "Continuing Connected Transactions") and be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Lau and his associates (as defined in the Listing Rules) will abstain from voting at the SGM.

Listing Rules Implications for the Continuing Connected Transactions

The Company will seek the approval by the Independent Shareholders at the SGM of the Continuing Connected Transactions contemplated under the Management Agreement (as amended) for the two years ending 31 March 2007 on the following conditions:

- (a) the amount of the Management Fee for each of the financial years ending 31 March 2006 and 2007 will not exceed RMB12.5 million (the "Cap");
- (b) the Continuing Connected Transactions will be in compliance with the following:
 - (i) the Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group; and
 - (ii) the Continuing Connected Transactions will be entered into in accordance with the terms of the Management Agreement (as amended); and
- (c) compliance by the Company with all other relevant requirements under the Listing Rules, where appropriate.

Basis of the Cap

The Cap for the Continuing Connected Transactions for each of the financial years ending 31 March 2006 and 2007 of RMB12.5 million is determined based on the amount of the annual Management Fee agreed between Beilun Company and Shanghai Mexan under the Management Agreement. The Sum was arrived at based on arm's length negotiations between Beilun Company and Shanghai Mexan after taking into account factors including, among other things, the estimated operating costs of Beilun Company in the future and a reasonable management fee margin for a contract of this type. The Company was also informed that the estimated operating costs of Beilun Company were determined with reference to the estimated costs that would have been incurred if Beilun Company were to operate the Toll Road on its own, and the potential cost savings in the event that Shanghai Mexan acts as the operator and manager of the Toll Road.

The Directors (excluding the independent non-executive Directors who are yet to consider the advice of the independent financial adviser) consider that the entering into of the Continuing Connected Transactions, which are based on arm's length negotiations, will be the interests of the Group and the shareholders of the Company as a whole and that their terms are fair and reasonable.

GENERAL

The Acquisition Agreement, the Management Agreement (as amended), the supplemental agreement and the asset pledge agreement are part and parcel with each other and will be subject to the approval by the Independent Shareholders at the SGM. An Independent Board Committee will be established to consider the terms of the Acquisition Agreement and the continuation of the transactions contemplated under the Management Agreement (as amended), including the Caps and the payment terms, and to make a recommendation to the Independent Shareholders in this regard. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the above transactions.

The SGM will be convened as soon as practicable and in compliance with the requirements under the Listing Rules at which an ordinary resolution will be proposed to approve the transactions contemplated under the Acquisition Agreement and the continuation of the transactions contemplated under the Management Agreement (as amended), including the Caps and the payment terms. Mr. Lau and his associates (as defined in the Listing Rules) will abstain from voting at the SGM which will be conducted by way of poll.

A circular containing, among other things, details of the Acquisition Agreement, the Management Agreement (as amended), the independent valuation report of Beilun Company, the report from the traffic expert, the independent property valuation report, 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.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares was suspended with effect from 9:30 a.m. on 16 August 2005 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 September 2005.

DEFINITIONS

"Acquisition"	the proposed acquisition by the Purchaser from the Vendors of a total 55.1% of the equity interest in Beilun Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the equity transfer agreement dated 15 August 2005 entered into between the Vendors and the Purchaser for the acquisition by the Purchaser and the sale by the Vendors of an aggregate 55.1% equity interest in Beilun Company
"Beilun Company"	Ningbo Beilun Port Expressway Company Limited (寧波北侖港高速公路有限公司), a Sino-foreign co-operative joint venture company which is currently owned as to 44.9% by the Group, 45% by CHAM and 10.1% by MHL
"Board"	the board of directors of the Company
"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 owned as to 66.67% by Shanghai Mexan and the remaining 33.33% by a third party independent of the Company and its connected persons (as defined under the Listing Rules)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Company"	MEXAN LIMITED, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Directors"	directors of the Company
"Group"	the Company together with 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 independent board committee to be constituted by the independent non-executive directors of the Company for the purpose of considering and advising the Independent Shareholders of the Company in connection with the Acquisition
"Independent Shareholders"	shareholders of the Company other than Mr. Lau and his associates (as defined in the Listing Rules)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MHL"	Mexan Holdings Limited, a company incorporated in Hong Kong which is beneficially owned as to approximately 99.99% by Mr. Lau
"Mr. Lau"	Mr. Lau Kan Shan, the chairman and an executive Director of the Company and also the ultimate controlling shareholder of the Company and the Vendors
"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", the equivalent traffic values of various types of vehicles in relation to passenger cars on the road
"PRC"	the People's Republic of China
"Purchaser" or "Portfield"	Portfield Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SGM"	the special general meeting of the Company to be convened to consider, and if thought fit, approve the Acquisition
"Shanghai Mexan"	上海茂盛企業發展(集團)有限公司 (Shanghai Mexan Enterprise Development (Group) Company Limited), a company established in the PRC and in which Mr. Lau holds a beneficial interest of approximately 74.7%. The remaining interests in Shanghai Mexan are held by third parties independent of the Company and its connected persons (as defined under the Listing Rules)
"Shares"	ordinary shares of HK\$0.10 each in the issued capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$"	United States dollars, the lawful currency of the United States of America
"Vendors"	MHL and CHAM

In this announcement, unless otherwise stated, certain amounts denominated in RMB and US\$ have been translated (for information only) into HK\$ using the exchange rates of HK\$1.00: RMB1.04 and HK\$7.80:US\$1.00. Such translation 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) at such exchange rates.

By Order of the Board of
MEXAN LIMITED
Tse On Kin
Managing Director

Hong Kong, 31 August 2005

At the date of this announcement, the executive Directors are Mr. Lau Kan Shan, Mr. Tse On Kin and Ms. Ching Yung, the non-executive Director is Mr. Leung Heung Ying and the independent non-executive Directors are Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai.

* For identification purpose only