



# MEXAN LIMITED

## 茂盛控股有限公司\*

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

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The board of directors (the "Board") of MEXAN LIMITED (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006 together with the comparative figures for the corresponding previous period as follows:

#### CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Note	Unaudited Six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000
<b>CONTINUING OPERATIONS</b>			
Turnover	2	119,853	38,122
Direct costs		(55,503)	(9,795)
Gross profit		64,350	28,327
Other revenues	2	5,037	17,379
Administrative and other operating expenses		(51,942)	(40,381)
Profit from operations	3	17,445	5,325
Finance costs		(58,615)	(10,080)
Share of results of a jointly controlled entity		—	(1,053)
(Decrease)/increase in fair value of investment properties		(3,500)	1,475
Loss before taxation		(44,670)	(4,333)
Taxation credit/(charge)	4	5	(1,854)
Loss for the period from continuing operations		(44,665)	(6,187)
<b>DISCONTINUED OPERATION</b>			
Loss for the period from discontinued operation		—	(56,637)
Net loss for the period attributable to equity holders of the Company		(44,665)	(62,824)
Dividend	5	—	249,075
Loss per share (cents)			
— from continuing and discontinued operations	6	(3,407)	(4,792)
— from continuing operations	6	(3,407)	(0,472)

#### CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	699,336	708,555
Investment property	16,500	20,000
Intangible assets	1,793,458	1,787,080
Goodwill	269,293	264,430
Investments in club debentures	1,350	1,350
Amount due from a related company	255,681	257,103
Deposit for acquisition of a subsidiary	—	70,000
Deposit for acquisition of an investment property	—	4,000
	3,035,618	3,112,518
<b>Current assets</b>		
Trade and other receivables, deposits and prepayments	259,844	176,528
Amount due from a related company	12,321	14,131
Cash and bank balances	30,731	20,404
	302,896	211,063
<b>Current liabilities</b>		
Other payables, deposits received and accrued charges	42,881	40,151
Amounts due to related companies	24,887	10,208
Dividend payable	1,175	1,427
Current portion of obligations under finance lease	232	342
Current portion of bank loans	38,810	35,373
	107,985	87,501
Net current assets	194,911	123,562
Total assets less current liabilities	3,230,529	3,236,080
<b>Equity</b>		
Share capital	131,092	131,092
Reserves	1,098,015	1,128,511
Total equity	1,229,107	1,259,603
<b>Non-current liabilities</b>		
Obligations under finance lease	—	58
Bank loans	1,959,219	1,950,795
Other loans	42,203	25,619
Deferred taxation	—	5
	2,001,422	1,976,477
	3,230,529	3,236,080

#### Notes:

#### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006, with addition for the following amendments to standards and interpretations which are relevant to the Group's operation and are mandatory for financial year ending 31 March 2007:

HKAS 21 (Amendment) The Effects of Changes in Foreign Exchange Rates—Net Investment in a Foreign Operation  
HKAS 39 (Amendment) The Fair Value Option  
HKFRS-Int 4 Determining whether an Arrangement contains a Lease

These amendments to standards and interpretations had no material effect on the Group's accounting policies.

The following new standards, amendments to standards and interpretations are relevant to the operation but are not effective for 2006 and have not been early adopted:

HKFRS 1 (Amendment) Capital Disclosures  
HKFRS 7 Financial Instruments: Disclosures  
HK (IFRIC)-Int 8 Scope of HKFRS 2

The Group anticipates that the adoption of the above new standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies except that there will be additional disclosures required by HKFRS 1 (Amendment) and HKFRS 7.

#### 2. REVENUES AND TURNOVER

The Group is principally engaged in property investment, hotel operation, investment holding and toll road operation. Revenues recognised during the period are as follows:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
<b>Turnover</b>		
Toll road income	79,179	—
Hotel operations	40,539	37,672
Rental income	135	450
	119,853	38,122
<b>Other revenues</b>		
Interest income		
— bank and other advances	1,442	3,067
— from discontinued operation	—	6,616
Subsidy income	2,168	—
Unclaimed dividend written back	237	—
Management fee	—	7,652
and other income from discontinued operation	—	44
Other income	1,190	44
	5,037	17,379
Total revenues	124,890	55,501

#### (a) Primary reporting format - business segments

The Group is organised into three main business segments:

- Toll road operation
- Hotel operation
- Property rental

There are no sales or other transactions between the business segments.

For the six months ended 30 September 2006 (Unaudited)

	Toll road operation HK\$'000	Hotel operation HK\$'000	Property rental HK\$'000	Consolidated HK\$'000
<b>Turnover</b>	79,179	40,539	135	119,853
<b>Segment results</b>	20,221	10,170	(3,692)	26,699
<b>Unallocated corporate expenses (net)</b>				(14,196)
<b>Interest income</b>				1,442
<b>Finance costs</b>				(58,615)
<b>Loss before taxation</b>				(44,670)
<b>Taxation credit</b>				5
<b>Loss for the period</b>				(44,665)

For the six months ended 30 September 2005 (Unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Toll road operation HK\$'000	Hotel operation HK\$'000	Property rental HK\$'000	Property rental HK\$'000	
Turnover	—	37,672	450	43,462	81,584
Segment results	—	9,154	412	(19,063)*	(9,497)
<b>Unallocated corporate expenses (net)</b>					(17,299)
<b>Interest income</b>					(26,796)
<b>Finance costs</b>					3,693
<b>Share of results of a jointly controlled entity</b>					(40,468)
<b>Increase in fair value of investment properties</b>	(1,053)	—	—	—	(1,053)
<b>Loss before taxation</b>					1,475
<b>Taxation credit</b>					(63,149)
<b>Loss for the period</b>					325
					(62,824)

\* Cost on disposal of discontinued operation amounted to approximately HK\$49,030,000 was included in segment result of discontinued operation.

(b) Secondary reporting format – geographical segment

The following is an analysis of the Group's turnover, analysed by the geographical market:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
<b>From continuing operations</b>		
Hong Kong	40,674	38,122
People's Republic of China	79,179	—
	<u>119,853</u>	<u>38,122</u>
<b>From discontinued operation</b>		
Hong Kong	—	43,462
	<u>119,853</u>	<u>81,584</u>

3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Staff costs	17,504	9,888
Depreciation of property, plant and equipment	10,658	9,475
Amortisation of intangible assets	25,937	583
	<u>54,099</u>	<u>19,946</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the period. Overseas taxation is provided for the overseas operations in accordance with the tax laws of the countries in which the entities operate.

The amount of taxation credited/(charged) to the consolidated income statement represents:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Hong Kong profits tax	—	1,033
Deferred tax	5	(2,887)
Taxation credit/(charge)	<u>5</u>	<u>(1,854)</u>

5. DIVIDEND

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Dividend paid, Nil per share (2005 : HK\$0.19)	—	249,075

6. LOSS PER SHARE

The calculation of the basic loss per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
<b>Losses</b>		
Loss for the purpose of the calculation of basic loss per share		
Continuing operations	(44,665)	(6,187)
Discontinued operation	—	(56,637)
	<u>(44,665)</u>	<u>(62,824)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of the calculation of basic loss per share	<u>1,310,925,244</u>	<u>1,310,925,244</u>

No diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 30 September 2006.

For the period ended 30 September 2005, diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.

7. SUBSEQUENT EVENT

On 11 December 2006, the Group entered into a provisional sale and purchase agreement with a third party for the disposal of its investment property for a consideration of HK\$16,500,000.

8. COMPARATIVE FIGURES

Inter company interest income and management fee and other income of HK\$6,616,000 and HK\$7,652,000 respectively received during the six months ended 30 September 2005 from the subsidiary disposed of are included in other revenue under continuing operations. The corresponding costs are included in loss for the period from discontinued operation. These income and costs were eliminated in the consolidated income statement in the prior period.

DIVIDEND

The Board resolved not to declare a dividend for the six months ended 30 September 2006 (2005: HK\$0.19).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover of the Group recorded for the six months ended 30 September 2006 amounted to approximately HK\$120 million, representing a significant increase of 214% compared to the same period last year. The increase in turnover was mainly generated from the operation of Ningbo Beilun Port Expressway. Ningbo Beilun Port Expressway Company Limited ("Beilun Company") became a wholly-owned subsidiary of the Company since December 2005, and contributed approximately HK\$79 million to turnover for the period under review (2005: Nil).

The Group recorded a loss of approximately HK\$45 million for the six months ended 30 September 2006 compared to a loss of approximately HK\$63 million in the corresponding period in 2005. The loss was decreased by approximately 29%. The results for the period under review were mainly affected by an increase in finance costs. The interest expenses recorded from Beilun Company for the six months ended 30 September 2006 amounted to approximately HK\$46 million, and the interest rate for the Hong Kong dollars ("HKD") denominated borrowings was increased when compared with the same period last year.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2006, the Group's total borrowings amounted to approximately HK\$2,040 million (31 March 2006: approximately HK\$2,012 million). The increase of the Group's total borrowings was mainly due to the appreciation of Renminbi ("RMB") denominated loan. As at 30 September 2006, cash and bank balances amounted to approximately HK\$31 million (31 March 2006: approximately HK\$20 million), and cash deposited with a securities firm of approximately HK\$83 million (31 March 2006: approximately HK\$82 million). The Group's net assets as at 30 September 2006 amounted to approximately HK\$1,229 million (31 March 2006: approximately HK\$1,260 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 166% as at 30 September 2006 compared to approximately 160% as at 31 March 2006.

Of the Group's total borrowings as at 30 September 2006, approximately HK\$39 million (2%) would be due within one year, approximately HK\$82 million (4%) would be due in more than one year but not exceeding two years, approximately HK\$534 million (26%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$1,385 million (68%) would be due in more than five years.

The borrowings of the Company were only denominated in HKD and RMB. Approximately HK\$1,589 million (78%) was denominated in RMB and approximately HK\$451 million (22%) was denominated in HKD. An amount of approximately HK\$42 million out of the total borrowings bears a fixed interest rate.

The above borrowings, including bank and other borrowings, were secured by the hotel property, investment property, the operating right of Ningbo Beilun Port Expressway and corporate guarantees from the Group and a related company.

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in the currency tied in with the Group's businesses in the countries of the currencies concerned and the borrowings were balanced by assets in the same currencies. As at 30 September 2006, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

BUSINESS REVIEW AND OUTLOOK

Since the acquisition of the remaining 55.1% equity interest in Beilun Company in December 2005, Beilun Company, the owner of the operating right of Ningbo Beilun Port Expressway, contributed significant amount of turnover for the six months ended 30 September 2006. Beilun Company generated profit before the deduction of interest expenses. However, Beilun Company is maintaining high level of debt and incurring substantial amount of interest expenses, which resulted in recording loss after interest expenses.

Mexan Harbour Hotel, a 800-room three-star standard hotel in Tsing Yi, maintained an average occupancy rate of approximately 86% for the period under review, and the turnover was increased by approximately 8% when compared with the same period for last year. In order to enhance the attractiveness of Hong Kong, many new tourist attractions will continue to be rolled out; such as the Ocean Park redevelopment project and the development of new cruise terminal facilities at the former Kai Tak runway. The opening of AsiaWorld-Expo in December 2005 attracts more international business visitors from conventions and exhibition market to Hong Kong. We anticipate that those new tourist attractions and international conventions and exhibitions would stimulate keen demands in hotel rooms. Benefited from its strategic location of high accessibility to the Hong Kong International Airport, AsiaWorld-Expo and Hong Kong Disneyland, Mexan Harbour Hotel is well-positioned to generate higher revenue to the Group in future.

Since Mexan Harbour Hotel has commenced its operation in December 2004, the Board anticipates that it may have to incur certain cash outlay next year for a thorough maintenance in order to maintain its competitive edge.

Looking forward, the Group will focus to generate growth in the existing businesses.

EMPLOYEE INFORMATION

As at 30 September 2006, the total number of employees of the Group was approximately 287 (31 March 2006: 178). 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

During the six months ended 30 September 2006, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2006 except for the following deviations:

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. An independent non-executive Director was not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

Under the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, according to Bye-laws of the Company, the Chairman and Managing Director are not subject to retirement by rotation or taken into account on determining the number of directors to retire. This constitutes a deviation from code provision A.4.2 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders as a whole.

Under the code provisions B.1.4 and C.3.4 of the CG Code, the terms of reference of both Remuneration Committee and Audit Committee are required to be made available on request and included on the issuer's website. At present, the Company does not maintain a website. However, the terms of reference of the Remuneration Committee and Audit Committee are available on request.

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Lau Kan Shan, the chairman of the Board, has not attended the annual general meeting of the Company held on 25 August 2006 due to other business engagement.

AUDIT COMMITTEE

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises Mr. Chan Wai Dune, Mr. Lau Wai, and Mr. Tong Kwai Lai, all of them are independent non-executive Directors. The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 September 2006 and discussed with the management the accounting principles and practices and internal control of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period.

By Order of the Board  
Lau Kan Shan  
Chairman

Hong Kong, 15 December 2006

As at the date of this announcement, the executive Directors are Mr. Lau Kan Shan, Mr. Tse On Kin and Ms. Ching Yung and independent non-executive Directors are Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai.

\* For identification purposes only