



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 2004

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 2004 together with the comparative figures for the corresponding previous period as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the six months ended 30 September 2004

	Note	Unaudited Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	41,466	56,946
Direct costs		(6,768)	(21,157)
		34,698	35,789
Other revenues	2	22,628	6,986
Administrative expenses		(18,902)	(15,907)
Reorganisation costs		-	(38,419)
Profit/(loss) from operations	3	38,424	(11,551)
Finance costs		(9,448)	(8,446)
Share of results of associated companies		-	(8,564)
Profit/(loss) before taxation		28,976	(28,561)
Taxation	4	(5,095)	(2,047)
Profit/(loss) after taxation		23,881	(30,608)
Minority interests		-	(1,474)
Profit/(loss) attributable to shareholders		23,881	(32,082)
Dividends	5	-	1,187,024
Earnings/(loss) per share	6	1.822 cents	(2.494) cents
- Basic			

Notes:

1. **Basis of preparation and accounting policies**
These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). These condensed accounts should be read in conjunction with the 2004 annual report.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 March 2004.

2. **Revenues and turnover**
The Group is principally engaged in property development and investment and investment holding. Revenues recognised during the period are as follows:

	Unaudited Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Sale of property interests	-	16,380
Rental income	41,466	40,566
Turnover	41,466	56,946
Interest income	12,357	5,333
Guaranteed net rental receipt	10,261	-
Other income	10	1,653
Other revenues	22,628	6,986
Total revenues	64,094	63,932

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

The Group is organised into two main business segments:

- Property rental
- Property development

Other operations of the Group comprise mainly hotel ownership and securities investment and trading. There are no sales or other transactions between the business segments.

Unaudited Six months ended 30 September 2004	Property rental HK\$'000	Property development HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment results	43,204	-	-	-	43,204
Unallocated corporate expenses (net)	-	-	-	(17,137)	(17,137)
Interest income	-	-	-	12,357	12,357
Finance costs	-	-	-	(9,448)	(9,448)
Profit before taxation	-	-	-	-	28,976
Taxation	-	-	-	(5,095)	(5,095)
Profit attributable to shareholders	-	-	-	-	23,881

Unaudited Six months ended 30 September 2003	Property rental HK\$'000	Property development HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment results	32,391	3,356	42	-	35,789
Unallocated corporate expenses (net)	-	-	-	(14,254)	(14,254)
Reorganisation costs	-	-	-	(38,419)	(38,419)
Interest income	-	-	-	5,333	5,333
Finance costs	-	-	-	(8,446)	(8,446)
Share of results of associated companies	-	(23)	(8,541)	-	(8,564)
Loss before taxation	-	-	-	-	(28,561)
Taxation	-	-	-	(2,047)	(2,047)
Loss after taxation	-	-	-	-	(30,608)
Minority interests	-	(1,474)	-	-	(1,474)
Loss attributable to shareholders	-	-	-	-	(32,082)

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

3. **Profit/(loss) from operations**
Profit/(loss) from operations is stated after charging the following:

	Unaudited Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Staff costs	9,468	5,731
Depreciation of fixed assets	342	385

4. **Taxation**
Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	4,674	1,537
- current	421	698
Deferred tax	-	7
Overseas taxation	-	-
- under provision in prior years	-	-
Share of taxation attributable to associated companies	5,095	2,242
	5,095	(195)
	5,095	2,047

5. **Dividends**

	Unaudited Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Special dividend	-	1,187,024

The special dividend by way of distribution in specie in 2003 represented the Group's share of the net assets of Besteam Limited and its subsidiaries and associated companies at the date of distribution.

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

	Unaudited Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Earnings/(loss)	23,881	(32,082)
Earnings/(loss) for the purpose of the calculation of basic earnings/(loss) per share	23,881	(32,082)
Number of shares	1,310,925,244	1,286,482,836
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings/(loss) per share	1,310,925,244	1,286,482,836

No diluted earnings/(loss) per share have been presented for both periods as there are no dilutive potential ordinary shares in issue for the periods and the exercise of the Company's outstanding convertible notes are not assumed since their exercise would be anti-dilutive.

INTERIM DIVIDEND
The Board resolved not to declare an interim dividend for the six months ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results
On 20 June 2003, the Group completed an extensive corporate reorganisation, which included, amongst others, distribution in specie in the form of shares of Besteam Limited (a then wholly owned subsidiary of the Company) which held a number of subsidiaries and associated companies (collectively the "Besteam Group") and engaged in property development and property investment. Results of Besteam Group up to 20 June 2003 were included in the results of the Group for the six months ended 30 September 2003.

Turnover for the six months ended 30 September 2004, attributable entirely to property rental, was approximately HK\$41 million compared with a turnover of approximately HK\$57 million in the corresponding period in 2003. The turnover of the Group for the six months ended 30 September 2003 included the sale of property interests of approximately HK\$16 million attributable to the Besteam Group.

Profit attributable to shareholders of the Group for the six months ended 30 September 2004 was approximately HK\$24 million compared with a loss of approximately HK\$32 million in the corresponding period in 2003. The results of the Group for the six months ended 30 September 2003 included the loss of approximately HK\$8 million attributable to the Besteam Group and the expenses of approximately HK\$38 million from the corporate reorganisation exercise. The results of the Group for the six months ended 30 September 2004 attributable to the remaining operation was a profit of approximately HK\$14 million. The improvement in results was mainly attributable to guaranteed net rental receipt of approximately HK\$10 million received under a management contract with a member of the Besteam Group after the corporate reorganisation on 20 June 2003, in respect of the Elizabeth Commercial Podium ("E-House").

Liquidity and financial information

The Group's total borrowings as at 30 September 2004 amounted to approximately HK\$1,081 million compared with approximately HK\$828 million as at 31 March 2004. Cash and cash equivalents including the pledged deposits amounted to approximately HK\$649 million as at 30 September 2004 compared with approximately HK\$291 million as at 31 March 2004. Net borrowings amounted to approximately HK\$432 million as at 30 September 2004 compared with approximately HK\$537 million as at 31 March 2004.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 62% as at 30 September 2004 compared with approximately 48% as at 31 March 2004. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was approximately 25% as at 30 September 2004 compared with approximately 31% as at 31 March 2004.

Of the Group's total borrowings of approximately HK\$1,081 million as at 30 September 2004, approximately HK\$95 million (9%) would be due within one year, approximately HK\$60 million (6%) would be due in more than one year but not exceeding two years and the remaining balance (85%) would be due in more than two years but not exceeding five years.

The above borrowings included the bank borrowings of HK\$885 million, which were secured by the first charges on the investment properties and other specified assets of the Group and corporate guarantees from the Company.

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

BUSINESS REVIEW AND OUTLOOK

During the period under review, Hong Kong witnessed solid recovery in the economy including the retail and property sector. The Group has during the period renovated 5/F of the Group's principal investment property, E-House, to enhance the outlook and to convert the 5/F of E-House into a more e-business focused theme floor. As a result, the Group is able to increase the rental rate on new tenancies at E-House and recorded improving rental income. As detailed in the Company's announcement of 29 October 2004, the Group on 15 October 2004 entered into a conditional sale and purchase agreement ("S&P Agreement") with Kowloon Development Company Limited and its subsidiaries ("Kowloon Development Group") to dispose of the Group's entire interests in E-House for HK\$1,342 million. However, as detailed in the Company's announcement of 15 December 2004, certain conditions of the S&P Agreement have not been fulfilled and in the opinion of the Group, the S&P Agreement is no longer in force. The Group was informed by the solicitors acting for the Kowloon Development Group that Kowloon Development Group does not agree that the S&P Agreement is no longer of any force and effect and has taken the position that the S&P Agreement remains valid and binding against the Group. The Group does not agree with the position of Kowloon Development Group. Kowloon Development Group has, through its solicitors, reserved all of its rights. The Group will continue to optimize the return from rental operation in E-House and to enhance the value of E-House property through continued marketing, improved operational efficiency and if necessary, further renovations and improvements. The Group is also open to future opportunities to realize the investment in E-House at good price.

The Governments of the Hong Kong SAR and PRC entered into the Closer Economic Partnership Arrangement ("CEPA") in June 2003. Under the CEPA, Hong Kong professionals and business entities enjoy certain privileges to gain access to the PRC market and the same applies vice versa. The scope of individuals traveling scheme of PRC citizens, first implemented in 2003, continues to extend. The Hong Kong Disneyland is expected to open in second half of 2005. All of the foregoing factors contribute to growing numbers of visitors and tourists to Hong Kong and hence the demand on hotel rooms.

To capitalize such business opportunities, the Group in October 2003 agreed with Hutchison Whampoa Limited and its subsidiaries ("Hutchison Group") to acquire a 800-room three-star standard hotel for HK\$660 million. The Group made full payment of the acquisition on 23 December 2004 and renamed the hotel as "Mexan Harbour Hotel" ("Mexan Harbour"). Mexan Harbour commenced soft opening forthwith. Mexan Harbour is designed for tourists particularly for theme park visitors and is located in Rambler Crest, Tsing Yi, a strategic location of close proximity to both the Hong Kong International Airport and Hong Kong Disneyland which is due to open in 2005. With the successful opening of the Mexan Harbour, a quality asset is added to the Group's investment portfolio and Hutchison Group is successfully brought in as one of the Group's strategic investors with a view of possible co-operation in future.

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 band 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. On 1 June 2004, the Group announced the proposed acquisition of 44.9% equity interests in Ningbo Beilun Port Expressway Company Limited ("Beilun Acquisition"). The Beilun Acquisition was approved by the independent shareholders at a special general meeting of the Company on 23 November 2004. The Beilun Acquisition presents an opportunity for the Company to diversify further its business and strengthen the earnings base.

Looking forward, the Group will continue to develop in each of the core business sector namely property investment, hotel ownership and toll road ownership with a view to seeking further investments in synergistic or prospective business if there arises such opportunities, which the Board may think fit and are allowed under the relevant regulatory provisions.

EMPLOYEE INFORMATION

As at 30 September 2004, the total number of employees of the Group was 28 (31 March 2004: 25). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

The Company has not redeemed any of its listed securities during the six months ended 30 September 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September 2004.

AUDIT COMMITTEE

The Audit Committee of the Company comprised Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai, all of them are independent non-executive directors of the Company. The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 September 2004 and discussed with the management the accounting principles and practices and internal control of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of information which would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules with the exception that the non-executive directors of the Company are not appointed for specific terms of office but retire on a rotational basis in accordance with the Bye-laws of the Company.

PUBLICATION OF DETAILED INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the Stock Exchange's website in due course.

By Order of the Board
Lau Kan Shan
Chairman

Hong Kong, 31 December 2004

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

* For identification purposes only