



MEXAN LIMITED

茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

VERY SUBSTANTIAL DISPOSAL

DISPOSAL OF INTEREST IN ELIZABETH HOUSE

On 30 June 2005, the Company entered into a provisional sale and purchase agreement with Express Chain whereby the Company, together with All Victory and Winsworld, both being indirectly wholly-owned subsidiaries of the Company, agreed to dispose of the Property to the Buyer at a consideration of HK\$1,480 million. The provisional sale and purchase agreement is subject to fulfillment of certain conditions which are set out in this announcement below.

All Victory is the holding company of Winsworld, which is the legal and beneficial owner of the Property. Under the Agreement, the Company agreed to be a party to the Agreement as principal to guarantee the performance of obligations of All Victory and Winsworld, and Winland will guarantee the performance of the Buyer's obligations under the Agreement. The Property comprises the commercial and car park complex portion of "Elizabeth House", located in Causeway Bay, Hong Kong.

Under the Agreement, the Buyer has the option to acquire the Sale Shares and Sale Debts of Winsworld for a cash consideration of HK\$1,480 million, subject to adjustment as detailed in this announcement below. Further details of the Agreement and the Property are set out below.

The net proceeds from the Disposal are estimated to be approximately HK\$1,430 million, of which approximately HK\$1,199 million will be used to repay the outstanding borrowings of the Group, and the balance of approximately HK\$231 million will be held for future investments and as general working capital of the Group.

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 and the notice of the required SGM, and a copy of the form of proxy will be despatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended with effect from 9:30 a.m. on 4 July 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 18 July 2005.

THE PROVISIONAL SALE AND PURCHASE AGREEMENT

Date : 30 June 2005

Parties:

Seller : The Company, All Victory and Winsworld
Buyer : Express Chain Limited, a company owned as to 92% by Winland (as defined below)
Buyer's guarantor : Winland Enterprises Limited ("Winland"), a company incorporated in Hong Kong with limited liability

Pursuant to the Agreement, the Seller agreed to sell and the Buyer agreed to acquire the Property for the residue of the term of years created by the relevant Government Leases subject to and with the benefit of the relevant Government Lease(s), Deed of Mutual Covenants and Sub-Deed of Mutual Covenants, if any, with an option granted by the Seller to the Buyer to purchase the Sale Shares and Sale Debts on the terms and conditions set out in the Agreement. The Buyer was introduced by a property agent who and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules) as at the date of the Agreement. The Company entered into the Agreement as principal as one of the Seller to guarantee the obligations of the other parties constituting the Seller. Winland will guarantee the obligations and performance of the Buyer under the Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Buyer and Winland and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules) as at the date of the Agreement.

The Buyer is principally engaged in property and investment holding.

BACKGROUND INFORMATION

The Property to be disposed of

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 177 car parking spaces. The Property was completed in 1978 and has a total gross floor area of approximately 21,785.04 sq.m. (234,492 sq.ft.) excluding the car parking spaces, roof, walls and canopy areas. The Group acquired interests in the Property from various parties in 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. Currently, the Property is under mortgages with an aggregate outstanding loan amount of approximately HK\$1,170 million. The Buyer of the Property is introduced by an independent property agent for which services the Group will pay an agency fee of HK\$48 million. The Directors consider that the amount of this agency fee is reasonable taking into consideration that the Buyer introduced by the property agent is willing to proceed with the sale and purchase of the Property despite the existence of the Town House Claims (details of such claims are set out in the paragraph headed "Town House Claims" below) and the higher amount of net proceeds from the Disposal.

The Management Contract in respect of the Property

On 20 June 2003, Winsworld entered into a management contract (the "Management Contract") for a term of three years up to 26 June 2006 with Verywell Services Limited ("Verywell"), as the manager to manage the Property, and Mr. Chan Boon Ho, Peter, as guarantor for the due performance by Verywell of its obligations under the Management Contract. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Verywell and its holding company and ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The Property has been managed by Verywell since 1998. Under the Management Contract, Verywell agreed to provide management services in respect of the Property and provided a guarantee (the "Guarantee") to Winsworld that the net receipt after expense related to the management of the Property to be generated from the Property will not be less than HK\$78 million per annum, with any income in excess of that amount to be retained by Verywell. Based on the audited accounts of Winsworld for the year ended 31 March 2004, the aggregate gross rental income for the two years ended 31 March 2004 were approximately HK\$76.6 million and HK\$73.7 million respectively. According to the Company's records, the net rental income for the two years ended 31 March 2004 were approximately HK\$71.3 million and HK\$63.9 million respectively. The amount of net rental shortfall paid by Verywell under the Guarantee in respect of the year ended 31 March 2004 was approximately HK\$16.7 million. No net rental shortfall was paid by Verywell for the year ended 31 March 2003 as the Management Contract was commenced in June 2003. The occupancy rate of the Property in June 2005 is approximately 99%. The gross rental income generated by the Property in June 2005 was approximately HK\$7.3 million.

PRINCIPAL TERMS OF THE AGREEMENT

Consideration

Pursuant to the Agreement, the consideration for the Disposal is HK\$1,480 million. The terms of the Agreement including the consideration were negotiated between the Seller and the Buyer 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.

In the course of the negotiation of the sale and purchase of the Property, the parties to the Agreement have consulted an independent valuer who indicated a preliminary valuation of the Property at about HK\$1,450 million. An independent valuation report of the Property will be included in the Circular to be despatched to the Shareholders in due course.

Payment Terms

- (i) An initial deposit of HK\$74 million was paid by the Buyer to the Seller's solicitor upon the signing of the Agreement by the parties thereto.
- (ii) A further deposit in the sum of HK\$74 million is to be paid by the Buyer to the Seller's solicitors as stakeholder upon the signing of the formal agreement for the sale and purchase of the Property. The Seller's solicitors will release the said further deposit to the Company if (i) the Seller's solicitors have proved to the Buyer's solicitors that Winsworld has a good title to the Property and (ii) the Seller's solicitors have produced proof to the Buyer's solicitors that the balance of the purchase price is sufficient to redeem the Property from the existing mortgages.
- (iii) The balance of the consideration of HK\$1,332 million to be paid by the Buyer to the Company upon Completion.

Conditions of the Disposal

Completion of the Disposal is subject to the satisfaction of, among other things, the following conditions:-

- (i) to obtain the approval of the board of directors of the Seller and their respective shareholders and/or holding companies on or before 31 August 2005;
- (ii) to obtain all necessary consents from the holders of the Notes or an irrevocable written undertaking being made by the Buyer to the Company that a loan will be granted or will be arranged to be granted by the Buyer to the Company at Completion in the sum of HK\$480 million at the interest rate of 6% per annum for a term of 3 years with security including a legal charge on the Mexan Harbor Hotel located at no. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong and corporate guarantee provided by the Company so as to enable the Company to discharge and release the Notes on or before 31 August 2005;
- (iii) having satisfied all relevant requirements of the Listing Rules;
- (iv) reasonable efforts being used by the Seller to negotiate the termination of the Management Contract entered into between, amongst others, the Company and Verywell on 20 June 2003;
- (v) Winsworld has good title to the Property such that the Buyer could be compelled to accept the same under a contract of the date of the Agreement for the sale of the Property incorporating the covenants and conditions as set out in the Second Schedule to the Conveyancing and Properties Ordinance Cap.219; and
- (vi) each of Winsworld, All Victory and the Company shall obtain a Certificate of Good Standing relating to each of the Seller and shall obtain a legal opinion from lawyers practicing in their respective places of incorporation (reasonably acceptable to the Buyer) that it has the necessary corporate power and capacity with due corporate authorization to enter into and perform the Agreement.

Save for conditions (i) to (iii) above which are not waivable, the Buyer may waive any of the above conditions.

It is expected that a formal agreement for the sale and purchase of the Property shall be executed by the parties to the Agreement on or before 21 July 2005.

As regards the loan (the "Loan") to be granted or arranged to be granted by the Buyer as mentioned in condition (ii) above, the Directors confirm that the terms of the Loan (including the relevant legal charge) are normal commercial terms which are agreed at after arm's length negotiation between the Seller and the Buyer, and the interest rate is arrived at after taking into consideration the prevailing interest rate applicable to the Group. The Directors consider that the terms of the Loan are fair and reasonable.

In respect of condition (iv) above, All Victory and Winsworld will use their reasonable efforts to negotiate the termination of the Management Contract. In the event that the Management Contract is terminated, Verywell will be released from its guarantee to the Company in respect of the rental income as described in the paragraph headed "The Property to be disposed of" above.

The Management Contract, which is registered against the Property by Memorial No.UB9350902, does not contain provision (i) prohibiting or restricting sale of the Property (ii) prohibiting or restricting change of shareholdings of Winsworld. In any event, if the Seller shall have used its reasonable efforts to negotiate for the termination of the Management Contract, then no matter whether there shall be actual termination of the same, Completion under the Agreement will not be affected, or would the Buyer be entitled to have any remedy against the Seller under the Agreement. Where the parties to the Agreement proceed to complete the sale and purchase of the Property without the Management Contract having been terminated, then the Buyer will need to take the Property subject to Verywell's rights registered against the Property by the Management Contract.

In case where the Buyer shall exercise the option for the purchase of Winsworld, as described in more details below, and proceed to purchase the Sale Shares and Sale Debts, if the Seller shall fail to agree with Verywell to terminate the Management Contract before Completion, the Management Contract will still be in place between and binding on both Winsworld and Verywell.

In respect of condition (v) above, the parties to the Agreement shall accept that the pending action of High Court Action No.1036 of 2005 does not affect title or conveyancing of the Property.

In the event that by 31 December 2005 (or such later date as the Company and the Buyer shall agree) (i) any one or more of the conditions is not satisfied or, if such condition is waivable, not waived by the Buyer, the Company will repay to the Buyer the Deposits together with interest accrued on the amount held in the stakeholding account and the Agreement shall lapse and be of no further effect save for any antecedent breach.

Completion

Completion shall take place on the Business Day falling on the later of (i) 14 Business Days after all the conditions mentioned in the paragraph headed "Conditions of the Disposal" above are satisfied in full or waived pursuant to the Agreement by the Buyer (as the case may be) or (ii) such later date as the parties to the Agreement may agree in writing. The long-stop date for the completion of the Agreement is 31 December 2005. Further announcement will be made by the Company if the completion of the Agreement is postponed or if the Agreement is lapsed.

Option for the Purchase of Winsworld

Pursuant to the Agreement, the Buyer is granted an option to acquire from All Victory the Sale Shares and the Sale Debts. The Sale Debts was amounted to approximately HK\$872.2 million based on the unaudited balance sheet of Winsworld as at 31 March 2005.

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 the Company. 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. After the disposal of the Sales Shares, Winsworld will cease to be a subsidiary of the Company. Based on the audited accounts of Winsworld for the year ended 31 March 2004, Winsworld recorded a net profit before tax and revaluation deficit and net loss after tax and revaluation deficit for the year ended 31 March 2003 of approximately HK\$21.9 million and HK\$350.8 million respectively, and a net profit before tax and revaluation surplus and net profit after tax and revaluation surplus for the year ended 31 March 2004 of approximately HK\$40.5 million and HK\$120.9 million respectively. Based on its audited accounts for the year ended 31 March 2004, Winsworld had total asset of approximately HK\$1,668.8 million and net liability of approximately HK\$282.7 million as at 31 March 2004. Pursuant to the Agreement, the Company will discharge all debts or liabilities of Winsworld (if any) upon Completion, except for the Sale Debts.

Pursuant to the Agreement, the consideration for the Sale Shares and the Sale Debts will be the same as the consideration for the Disposal which is equal to HK\$1,480 million. Such consideration shall be subject to adjustments (upwards or downwards as the case may be) by reference to the other assets and liabilities of Winsworld as stated in its audited accounts as at the Completion, but without adjustment of the value of the Property at HK\$1,480 million and impact that may be brought by the Town House Claims.

The Buyer may exercise the option to purchase the Sale Shares and the Sale Debts during the period from the date of the Agreement up to 14 days before the Completion by serving a written notice on the Seller's solicitors to such effect. In the event that the option is not exercised during the aforesaid period, the Disposal will proceed in accordance with the terms and conditions under the Agreement. In the event that the option is exercised, the Buyer agrees to purchase the Sale Shares and the Sale Debts, in accordance with the terms and conditions contained in the Agreement. All Victory shall sell with full title guarantee and the Buyer shall acquire the Sale Shares free from all liens, charges and encumbrances (including but not limited to any options granted to any person to acquire shares in Winsworld), and together with all rights attaching to the Sale Shares including all rights to any dividend or other distribution declared, made or paid on or after the Completion and the Company shall sell as legal and beneficial owner and the Buyer shall purchase the Sale Debts, both free from all encumbrances and together with all rights attaching to the Sale Debts.

Upon completion of the Sale Shares and the Sale Debts, the parties to the Agreement shall forthwith enter into a cancellation agreement to cancel the sale and purchase of the Property. A further announcement will be made by the Company as soon as reasonably practicable if the Buyer decides to exercise the option.

USE OF PROCEEDS

It is agreed that each of the parties will bear their own costs arising from the Disposal. Taking into account the professional and legal fees and other expenses to be incurred by the Group, the net proceeds from the Disposal are estimated to be approximately HK\$1,430 million. The Directors intend that approximately HK\$1,199 million will be used to repay the outstanding borrowings of the Group and the balance of approximately HK\$231 million will be held for future investments purposes, principally in hotel or toll-road, when appropriate opportunity arises, and as general working capital of the Group.

FINANCIAL EFFECT 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 the Company's cashflow position will be improved accordingly. Based on the unaudited management accounts of the Group for the year ended 31 March 2005, the carrying value of the Property was approximately HK\$1,627.3 million and the Group had revaluation reserve of approximately HK\$1,038.4 million. As a result of the Disposal and subject to finalisation of the audit for the accounts of the Group for the year ended 31 March 2005, the Property will be revalued at HK\$1,480 million at the balance sheet date of 31 March 2005 and a revaluation deficit of approximately HK\$147.3 million and a deferred tax credit of HK\$2.5 million will be adjusted to the revaluation reserve and result in a balance of approximately HK\$893.6 million as at 31 March 2005. In addition, the Group will cease to receive rental income generated from the Property. Based on the audited account of Winsworld for the year ended 31 March 2004, the aggregate gross rental income generated from the Property is approximately HK\$73.7 million which accounted for approximately 81% of the total turnover of the Group based on its audited accounts for the year ended 31 March 2004.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is currently engaged in property development and investment, securities investment and trading, hotel ownership and investment holding. In view of the recovery of the economy and the reactivation of the property market in Hong Kong, 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 and the Group could utilise the proceeds from the Disposal to reduce its borrowings and future interest expenses and improve its working capital position. After the completion of the Disposal, the Group has two investments properties in Shanghai, the PRC with an aggregate carrying amount of approximately HK\$212.7 million and a property under development in Shanghai, PRC with carrying amount of approximately HK\$104.6 million. In addition, the Group held the entire ownership interest of the Mexan Harbour Hotel in Rambler Crest, Tsing Yi, Hong Kong where the hotel has commenced business in December 2004 with an occupancy rate of approximately 76.9% in May 2005 and a 44.9% interest in Ningbo Beilun Port Expressway Company Limited which owns and operates the Ningbo Beilun Port Expressway.

As disclosed in its annual report for the year ended 31 March 2004, the Group's business strategy is to further develop its hotel operation business and toll-road business. The Directors consider that the Group will be in a better position after the Disposal to pursue its business in the promising and growing hotel and toll-road sectors. In this regard, the Group has already taken steps to roll out its plan to develop into a leading toll road operator in the PRC. On 9 May 2005, the Company announced that one of its wholly-owned subsidiaries has entered into four legally binding Memoranda of Understanding (the "MOU") with three different companies (the "Toll Road Companies") whereby the Toll Road Companies agreed not to, within 18 months from the date of this signing of the MOUs, enter into negotiation or agreements with any third parties for the sale of their toll road interest as specified in the MOUs without written consent from the Group. These MOUs enable the Group to have more time to conduct necessary due diligence and valuation on the toll road interests involved and it is expected that the Group would enter into arm's length negotiation with the Toll Road Companies with a view to reaching agreements on the acquisitions of the toll road interests. The Group is still in the process of conducting due diligence and preliminary discussion with the Toll Road Companies and no final agreement has yet been made. Further announcement(s) in this respect will be made by the Company as and when appropriate.

THE TOWN HOUSE CLAIMS

Reference is made to an announcement of the Company dated 6 June 2005 in relation to the receipt by the Company of the writ of summons of High Court Action No. 1036 of 2005 indorsed with the statement of claim issued on 2 June 2005. This Action falls within the definition of "Town House Claims" in the Agreement. According to the claim alleged by Town House Development Limited (the "Plaintiff"), the Company was in breach of the provisional sale and purchase agreement dated 15 October 2004 as supplemented by a supplemental agreement dated 19 October 2004 (the "Town House Agreement") in relation to the sale and purchase of the entire issued shares of Winsworld and the sale loan. The Plaintiff claims specific performance of the Town House Agreement, all necessary and consequential accounts, directors and inquiries, damages for breach of contract in lieu of or in addition to specific performance, interests, further relief and costs.

Pursuant to the Agreement, the parties to the Agreement shall accept that the pending action of High Court Action No.1036 of 2005 does not affect title or conveyancing of the Property. Further, in accordance with the Agreement, if the Buyer shall exercise the option to purchase the Sale Shares and Sale Debts, there shall be no adjustment of the consideration by reference to the impact that may be brought by the Town House Claims. Therefore, the issue of whether or not the said High Court Action would be further proceeded with will not affect completion of the Agreement. Further, the Buyer has no option to cancel the Agreement by reason of the Town House Claims and will proceed with the completion of the sale and purchase of the Property subject to fulfillment of the conditions precedent pursuant to the Agreement. On this basis, the Directors believe that the Town House Claims would not affect the disposal of the Property by the Group to the Buyer pursuant to the Agreement.

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. Since the interest of the controlling Shareholder in the Agreement is no different from the other Shareholders and there is no Shareholder who has a material interest in the Agreement, 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 and a notice of the SGM, and a copy of the 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 9:30 a.m. on 4 July 2005 pending the issue of this announcement. The Company has made an application to the Stock Exchange for resumption of trading in the Shares from 9:30 a.m. on 18 July 2005.

DEFINITIONS

"Agreement"	the provisional sale and purchase agreement dated 30 June 2005 in connection with the Disposal, the completion of which is subject to the fulfillment of conditions set out in this announcement
"All Victory"	All Victory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, an indirectly wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Business Day"	a day (other than Saturday and Sunday) on which banks in Hong Kong are open to conduct business generally
"Buyer" or "Express Chain"	Express Chain Limited, a company incorporated in the British Virgin Islands with limited liability
"Circular"	a circular with further details of the Disposal that will be despatched to the Shareholders in accordance with the Listing Rules
"Company"	Mexan Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"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 the Company
"Disposal"	the proposed disposal of the Property by Winsworld to the Buyer in accordance with the terms and conditions of the Agreement
"Group"	the Company and its subsidiaries
"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
"Notes"	the convertible notes in the aggregate principal of HK\$160 million and/or promissory notes in the aggregate principal of HK\$320 million issued by the Group on 5 November 2003 (which was announced on 22 October 2003 and will expire on 5 November 2006) and 23 December 2004 (which was announced on 22 October 2003 and will expire on 23 December 2007) respectively
"PRC"	the People's Republic of China
"Property"	the commercial and car park complex of a building known as the Elizabeth House as detailed in the sub-paragraph headed "The Property to be disposed of" in this announcement
"Sale Debts"	all the outstanding loans due from Winsworld to the Group (excluding Winsworld) including all interest (if any) thereon as at the Completion
"Sale Shares"	the entire issued share capital of Winsworld comprising 100 shares of US\$1 each
"SGM"	special general meeting of the Company to be convened and held for Shareholders to consider, and if thought fit, approve the Disposal
"Shareholders"	holder(s) of Shares
"Shares"	ordinary shares of HK\$0.10 each in the issued capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Town House Claims"	all actions claims disputes litigations and proceedings brought by Kowloon Development Company Limited and/or Town House Development Limited against all or any or any combination of (1) the Company (2) Winsworld (3) All Victory, arising from a provisional sale and purchase agreement dated 15 October 2004 entered by (1) the Company (2) Winsworld (3) Town House Development Limited and (4) Kowloon Development Company Limited as amended and supplemented pending registration at the Land Registry by Memorial No.UB9380986 including but not limited High Court Action No. 1036 of 2005. Details of the above litigations were disclosed in the announcement of the Company dated 6 June 2005
"Winsworld"	Winsworld Properties Limited, a company incorporated in the British Virgin Islands with limited liability, an indirectly wholly-owned subsidiary of the Company.

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

Hong Kong, 15 July 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.