MEXAN LIMITED
茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2005

RESULTS

The board of directors (the "Board") of MEXAN LIMITED (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005 together with comparative figures for the previous corresponding year as follows:

	Note	**Year ended 31 March** **2005** ***HK$'000***	2004 *HK$'000*
Turnover	2	**104,129**	90,840
Direct costs		**(18,052)**	(22,865)
Gross profit		**86,077**	67,975
Other revenues	2	**41,829**	28,352
Administrative expenses		**(87,920)**	(39,122)
Reorganisation costs		**—**	(38,609)
Profit from operations	3	**39,986**	18,596
Finance costs	4	**(23,465)**	(13,609)
Share of results of associated companies		**—**	(8,564)
Share of results of a jointly controlled entity		**(6,127)**	—
Profit/(loss) before taxation		**10,394**	(3,577)
Taxation	5	**(9,644)**	(7,352)
Profit/(loss) after taxation		**750**	(10,929)
Minority interests		**—**	(1,474)
Profit/(loss) attributable to shareholders	6	**750**	(12,403)
Distribution in specie		**—**	1,187,024
Profit/(loss) per share			
— Basic	7	**0.06 cents**	(0.96 cents)

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention except that investment properties and hotel property are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has resolved to early adopt the following new HKFRSs in the financial statements for the year ended 31 March 2005:

- HKFRS 3 "Business combinations"
- HKAS 36 "Impairment of assets"
- HKAS 38 "Intangible assets"

The major effects on the Group's accounting policies and amounts disclosed in these financial statements are summarised as follows:

HKFRS 3 prescribes the accounting for business combinations. The early adoption of HKFRS 3 requires the early adoption of HKAS 36 and HKAS 38. The early adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill.

Prior to the adoption,

- goodwill arising on acquisitions occurring on or after 1 April 2001 was included in intangible assets and is amortised using the straight-line method over its estimated useful life;
- goodwill arising on acquisitions occurred prior to 1 April 2001 was eliminated against reserves; and
- goodwill was assessed for impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3,

- the Group ceased the amortisation of goodwill from 1 April 2004;
- the accumulated amortisation of goodwill arising on acquisitions of subsidiaries as at 1 April 2004 has been eliminated with a corresponding decrease in the respective cost of goodwill at that date; and
- from the year ended 31 March 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

HKFRS 3 is prospectively applied and there are no restatements of account balances following its adoption.

The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. REVENUES AND TURNOVER

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

	2005 ***HK$'000***	2004 *HK$'000*
Turnover		
Rental income	**84,964**	74,460
Hotel operations	**19,165**	—
Sale of property interests	**—**	16,380
	104,129	90,840
Other revenues		
Interest income	**18,844**	10,565
Guaranteed net rental receipts *(i)*	**20,759**	16,721
Other income	**2,226**	1,066
	41,829	28,352
Total revenues	**145,958**	119,192

(i) On 20 June 2003, Winsworld Properties Limited ("Winsworld"), a wholly owned subsidiary of the Company, entered into a management contract ("Management Contract") with Verywell Services Limited ("Verywell"), a wholly owned subsidiary of the former ultimate holding company. Pursuant to the Management Contract, Verywell agreed to manage and handle all matters in relation to the management of the investment properties (the "Property") owned by Winsworld for a period of three years commencing on 26 June 2003. Winsworld is entitled to an annual guaranteed net rental receipt (being the rental receipt less the outgoings as described in the Management Contract) of HK$78 million for the contract period. The rental income, expense and guaranteed net rental receipt are accounted for in the accounts of the Group to the effect that the guaranteed net rental receipt is recognised on a straight line basis over the contract period.

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

The Group is organised into three main business segments:

- Property rental
- Hotel operations
- Toll road project

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

	Property rental 2005 ***HK$'000***	**Hotel operations 2005** ***HK$'000***	**Toll road 2005** ***HK$'000***	**Unallocated 2005** ***HK$'000***	**Group 2005** ***HK$'000***
Turnover	**84,964**	**19,165**	**—**	**—**	**104,129**
Segment results	**90,357**	**209**	**—**	**—**	**90,566**
Unallocated corporate expenses (net)					**(69,424)**
					21,142
Interest income					**18,844**
Finance costs					**(23,465)**
Share of results of a jointly controlled entity	**—**	**—**	**(6,127)**	**—**	**(6,127)**
Profit before taxation					**10,394**
Taxation					**(9,644)**
Profit attributable to shareholders					**750**
Segment assets	**1,877,821**	**730,464**	**—**	**—**	**2,608,285**
Investment in a jointly controlled entity	**—**	**—**	**263,873**	**—**	**263,873**
Unallocated corporate assets					**364,020**
Consolidated total assets					**3,236,178**
Segment liabilities	**1,078,470**	**490,728**	**—**	**—**	**1,569,198**
Deferred tax liabilities					**3,415**
Unallocated corporate liabilities					**44,765**
Consolidated total liabilities					**1,617,378**
Capital expenditure	**200,121**	**702,101**	**—**	**3,670**	**905,892**
Depreciation	**—**	**74**	**—**	**1,110**	**1,184**
Amortization	**—**	**486**	**—**	**—**	**486**

	Property rental 2004 *HK$'000*	Property development 2004 *HK$'000*	Securities investment and trading 2004 *HK$'000*	Other operations 2004 *HK$'000*	Unallocated 2004 *HK$'000*	Group 2004 *HK$'000*
Turnover	74,460	16,380	—	—	—	90,840
Segment results	76,204	3,356	42	—	—	79,602
Unallocated corporate expenses (net)						(32,962)
Reorganisation cost						(38,609)
						8,031
Interest income						10,565
Finance costs						(13,609)
Share of results of associated companies	—	(23)	—	(8,541)	—	(8,564)
Loss before taxation						(3,577)
Taxation						(7,352)
Loss after taxation						(10,929)
Minority interests						(1,474)
Loss attributable to shareholders						(12,403)
Segment assets	1,668,771	—	—	280,998	—	1,949,769
Unallocated corporate assets						642,160
Consolidated total assets						2,591,929
Segment liabilities	636,911	—	—	160,000	—	796,911
Deferred tax liabilities						3,661
Unallocated corporate liabilities						61,028
Consolidated total liabilities						861,600
Capital expenditure	1,435	—	—	—	2,858	4,293
Depreciation	—	—	—	—	719	719

(b) **Secondary reporting format — geographical segment**

No geographical analysis of revenue is provided as less than 10% of the consolidated turnover and consolidated profit and loss of the Group are attributable to markets outside Hong Kong.

The following is an analysis of the carrying amount of segment assets, additions to intangible assets, property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to intangible assets, property, plant and equipment**	
	2005 ***HK$'000***	2004 *HK$'000*	**2005** ***HK$'000***	2004 *HK$'000*
Hong Kong	**2,411,583**	2,227,998	**709,414**	4,293
PRC	**584,419**	363,931	**196,478**	—
New Zealand	**240,176**	—	**—**	—
	3,236,178	2,591,929	**905,892**	4,293

3. PROFIT FROM OPERATIONS

	2005 HK$'000	2004 HK$'000
Profit from operations is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties	**84,964**	74,460
Less: outgoings	**(13,123)**	(9,884)
Net rental income from investment properties	**71,841**	64,576
Realised and unrealised gains on other investments	**—**	42
Charging		
Auditors' remuneration	**716**	1,360
Operating leases of land and buildings	**4,318**	2,410
Depreciation of property, plant and equipment	**1,184**	719
Bad debts written off and provision for bad debts (net)	**186**	1,738
Amortization of intangible assets	**486**	—
Cost of properties sold	**—**	13,024

4. FINANCE COSTS

Finance costs comprise the following:

	2005 HK$'000	2004 HK$'000
Interest on bank loans and overdrafts		
— wholly payable within five years	**15,428**	1,398
— not wholly payable within five years	**—**	12,332
Interest on other loans wholly payable within five years	**100**	305
Interest on convertible notes	**1,302**	—
Interest on promissory notes	**3,343**	—
Interest element of finance lease	**48**	25
Total borrowing costs incurred	**20,221**	14,060
Less: amounts capitalised in properties held for/under development	**—**	(877)
	20,221	13,183
Bank facilities arrangement fee	**3,244**	426
	23,465	13,609

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. 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 charged to the consolidated profit and loss account represents:

	2005 HK$'000	2004 HK$'000
Hong Kong profits tax		
— provision for current year	**8,572**	6,141
— (over)/under provision in prior years	**(63)**	47
Overseas taxation		
— under provision in prior years	**—**	7
	8,509	6,195
Deferred taxation resulting from origination and reversal of temporary differences	**1,135**	1,352
	9,644	7,547
Share of taxation attributable to associated companies	**—**	(195)
	9,644	7,352

6. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit/(loss) attributable to shareholders is a loss of HK$136,476,000 (2004: profit of HK$723,531,000) which is dealt with in the Company's own accounts.

7. PROFIT/(LOSS) PER SHARE

The calculation of the basic profit/(loss) per share is based on the profit attributable to shareholders of HK$750,000 (2004: loss of HK$12,403,000) and on the weighted average number of 1,310,925,244 shares (2004: 1,296,433,434 shares) in issue during the year.

For the years ended 31 March 2005 and 2004, diluted profit/(loss) per share is not shown as the potential ordinary shares are anti-dilutive.

DIVIDENDS

No dividends were paid or declared by the Company during the year (2004: Nil).

EMPHASIS OF AUDIT MATTERS FOR LAST FINANCIAL YEAR ENDED 31 MARCH 2004

The auditors, Horwath Hong Kong CPA Limited, have issued an unqualified audit report for the current financial year ended 31 March 2005.

Without qualifying their current year audit report, Horwath Hong Kong CPA Limited have drawn the attention to the fact that their report dated 31 December 2004 on the financial statements of the Group for the year ended 31 March 2004, which form the basis for the comparative amounts presented in the current year's financial statements, was qualified on the reason that the financial information and records of the associated companies were no longer in possession by the Group and they could not gain access to the said records. Accordingly Horwath Hong Kong CPA Limited expressed an opinion of limitation of audit scope. Therefore, the last year's comparative amounts shown in these financial statements may not be reliable for purpose of comparison with the corresponding amounts presented for the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Profit attributable to shareholders of the Group for the year ended 31 March 2005 was approximately HK$0.8 million compared with a loss of approximately HK$12 million last year. The results last year included the loss of approximately HK$8 million attributable to a subgroup disposed of in last year and the expenses of approximately HK$38 million incurring from a corporate reorganisation exercise. The results in current year were affected by the increase in finance cost of approximately HK$10 million as a result of increased borrowings to finance the hotel operation and increase in interest rate and the loss of approximately HK$6 million attributable to a jointly controlled entity.

Pursuant to the management contract entered on 20 June 2003, the Group will receive a guaranteed annual net rental receipt in respect of the Elizabeth House Commercial Podium and carpark complex (the "E-House") of HK$78 million for three years commencing from 26 June 2003. In this regards, during the year, guaranteed net rental receipt of approximately HK$21 million (2004: approximately HK$17 million) had been accounted for on time-apportionment basis.

The Mexan Harbour Hotel in Tsing Yi commenced operation in late December 2004 and contributed approximately HK$19 million and HK$0.2 million respectively to the turnover and profit of the Group.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's total borrowings as at 31 March 2005 amounted to approximately HK$1,371 million compared with approximately HK$828 million last year. Cash and bank balances, including the pledged deposits of approximately HK$48 million amounted to approximately HK$85 million as at 31 March 2005 compared with approximately HK$291 million last year. Net borrowings amounted to approximately HK$1,286 million as at 31 March 2005 compared with approximately HK$537 million last year.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 84% as at 31 March 2005 compared with approximately 48% last year. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was approximately 79% as at 31 March 2005 compared with approximately 31% last year.

Of the Group's total borrowings as at 31 March 2005, HK$95 million (7%) would be due within one year, HK$221 million (16%) would be due in more than one year but not exceeding two years, HK$1,055 million (77%) would be due in more than two years but not exceeding five years.

The above borrowings included the bank borrowings of approximately HK$890 million (2004: HK$612 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.

EQUITY, RESERVES AND NET ASSET VALUE

Revaluation of the Group's investment properties in the PRC at 31 March 2005 were carried out by independent professional property valuers namely BMI Appraisals Limited. The investment property at the E-House in Hong Kong was stated at open market value at HK$1,480 million with reference to the provisional sale and purchase agreement signed on 30 June 2005 in respect of the subsequent disposal of the E-House. The net adjustment on revaluation, after effect of deferred taxation,was a decrease of approximately HK$112 million and was taken to the revaluation reserves.

Shareholders' funds of the Group as at 31 March 2005 was approximately HK$1,619 million compared with approximately HK$1,730 million last year. The reduction was mainly due to the net adjustment on revaluation of investment properties and hotel property of approximately HK$112 million as mentioned.

BUSINESS REVIEW

During the year under review, Hong Kong economy continued to rebound with strong momentum and the rental market of prime street shop and shopping centre continued to recover with higher average rents and higher occupancy rate. The annual gross rental income for the year ended 31 March 2005 increased to about HK$85 million, compared with about HK$74.5 million recorded for the year ended 31 March 2004.

Mexan Harbour Hotel, a 800-room three-star standard hotel, commenced business in December 2004. Mexan Harbour Hotel 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 September 2005. Pursuant to the management contract with Harbour Plaza Hotel Management Limited ("Harbour Plaza"), Harbour Plaza guaranteed to the Group that the earnings before interest, tax, depreciation and amortization ("EBITDA") of the Hotel for each of the 3 years of management, commencing from 23 December 2004, will not be less than HK$21 million. The commencement of its operation renders a new source of stable income for the Group.

Moreover, the Group acquired 44.9% equity interest in Ningbo Beilun Port Expressway Company Limited ("Ningbo Beilun"). The toll road owned and operated by Ningbo Beilun, is an important route that connects Beilun Port (a major natural deep water port) to the prosperous regions in Zhejiang including Hangzhou, Wenzhou and Taizhou. It marked our first step of diversifying our business into the PRC toll road industry.

OUTLOOK

The Group has taken advantage of the favorable property market and entered into an agreement to realise the investment property at the E-House at a reasonable price by the end of June 2005. Upon future completion of the disposal of the E-House, the Group could utilise the proceeds from the sale of the E-House to reduce its borrowings and future interest expenses and improve its working capital condition. The gearing ratio will be reduced from 84% as at 31 March 2005 to 35% upon completion of the disposal of the E-House, assuming that the value of shareholders' funds upon completion of the disposal of the E-House to be the value as at 31 March 2005 less the interim dividend paid in May 2005.

Taking into account the future opening of Hong Kong Disneyland, Tung Chung Cable Car, Hong Kong Wetland Park and other new projects with the fast growing number of PRC visitors attributed to the Individual Visit Scheme, the number of repeated and new visitors attracted to Hong Kong will continue to grow. The outlook of the tourist industry of Hong Kong is still quite optimistic in coming years. It will drive the growth of the Hong Kong Hotel Industry in which Mexan Harbour Hotel will gain benefits and generate much higher revenue and net income for the Group. Furthermore, to take advantage of stronger growth in the tourist and hotel industry resulted from globalization of the world economy, we will also pursue and identify opportunities to acquire new hotels to strengthen this source of income.

We expect that the PRC economy has to maintain an average growth rate of 7% per annum which undoubtedly leads to higher overall national traffic volume supported by more sophisticated high quality expressway network. In January 2005, the PRC's Ministry of Communication announced the new "National Expressway Network Plan" in which new expressway network of 85,000 kilometers will be completed in thirty years. This new plan consists of seven trunks linking with Beijing, nine trunks linking north with south and eighteen trunks connecting east and west.

The PRC "Toll Road" industry is a fast growing industry enjoying high growth rate of revenue in coming years. The Group has already taken steps to roll out its plan to develop into a leading toll road operator in the PRC. We are confident that toll road operations in PRC is one of our core businesses which will provide long term growing and stable income to the Group.

On 9 May 2005, the Group 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 roads 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. Other than making investment in acquiring equity interest in toll road, the Group is also planning to build up its own professional team to manage the operation of our own toll roads in future. It enables the Group to take a more active role which will enhance the income generated from the toll road business.

Looking forward, the Group will continue to develop in each of the core business sectors with a view to seeking further investments in synergetic or prospective business, in which the Board may think fit and are allowed under the relevant regulatory provisions. The long term objective is to provide maximum economic benefits for the shareholders of the Company.

EMPLOYEE INFORMATION

As at 31 March 2005, the total number of employees of the Group was 23 (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 year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-Executive Directors namely, Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai. The Audit Committee meets at least twice a year to review, among other things, the interim and the final results of the Group prior to recommending them to the Board for approval.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the financial year ended 31 March 2005 with the exception that the Non-Executive Directors of the Company are not appointed for specific terms of office but retire from office on a rotational basis in accordance with the Company's Bye-laws.

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct of directors' securities transactions (the "Model Code"). The Company has made specific enquiry of all directors and has received a written confirmation from each director confirming that he/she has complied with the Model Code throughout the year ended 31 March 2005.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcements in respect of the 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, 20 July 2005

As 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 purposes only*