



MEXAN LIMITED

茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2004/2005

MEXAN

CORPORATE INFORMATION**BOARD OF DIRECTORS***Executive Directors:*

Lau Kan Shan (*Chairman*)

Yuen Hiu Kwan

Ching Yung

Independent Non-Executive Directors:

Chan Wai Dune

Lau Wai

Tong Kwai Lai

AUDIT COMMITTEE

Chan Wai Dune

Lau Wai

Tong Kwai Lai

COMPANY SECRETARY

Chan Wai Ming

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton

HM 11

Bermuda

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

16th Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai

Banking Corporation Limited

CITIC Ka Wah Bank Limited

PRINCIPAL REGISTRARS

Butterfield Fund Services

(Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

**BRANCH REGISTRARS IN
HONG KONG**

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

WEBSITE

<http://www.mexan.com.hk>

The Board of Directors (the “Board”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results and present the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004. The unaudited consolidated condensed accounts of the Group for the six months ended 30 September 2004 together with the comparative figures for the corresponding previous period are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2004

		Unaudited Six months ended 30 September 2004 HK\$'000	2003 HK\$'000
	<i>Note</i>		
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		
– Basic		1.822 cents	(2.494) cents

CONSOLIDATED BALANCE SHEET*As at 30 September 2004*

		Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
	<i>Note</i>		
Non-current assets			
Fixed assets		1,629,461	1,622,500
Other investments		1,350	1,350
		1,630,811	1,623,850
Current assets			
Trade and other receivables, deposits and prepayments	7	286,063	396,056
Deposits for hotel property		280,998	280,998
Deposit for a jointly controlled entity		27,000	—
Pledged deposits		46,642	280,379
Time deposits		482,013	—
Cash and bank balances		120,663	10,646
		1,243,379	968,079
Current liabilities			
Accounts payable, deposits received and accrued charges	8	26,319	24,759
Taxation		8,386	4,319
Dividend payable		313	313
Other loans payable		—	20,018
Current portion of obligations under finance lease		315	306
Current portion of bank loans	9	95,000	91,000
		130,333	140,715
Net current assets		1,113,046	827,364
Total assets less current liabilities		2,743,857	2,451,214
Financed by:			
Share capital	10	131,092	131,092
Reserves		1,623,146	1,599,237
Shareholders' funds		1,754,238	1,730,329
Obligations under finance lease		564	724
Bank loans	9	825,000	556,500
Convertible notes		160,000	160,000
Deferred tax liabilities		4,055	3,661
		2,743,857	2,451,214

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2004*

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	45,795	(95,548)
Net cash inflow/(outflow) from investing activities	66,478	(137,596)
Net cash inflow from financing	479,757	65,230
Increase/(decrease) in cash and cash equivalents	592,030	(167,914)
Cash and cash equivalents at the beginning of the period	10,646	789,689
Cash and cash equivalents at the end of the period	602,676	621,775
Analysis of balances of cash and cash equivalents:		
Time deposits	482,013	—
Cash and bank balances	120,663	621,775
	602,676	621,775

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2004*

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve- investment properties HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2004	131,092	57,556	129	1,038,368	503,184	1,730,329
Deferred taxation credited to equity	-	-	-	28	-	28
Profit for the period	-	-	-	-	23,881	23,881
At 30 September 2004	131,092	57,556	129	1,038,396	527,065	1,754,238

	Unaudited									
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve- investment properties HK\$'000	Revaluation reserve- properties held for/under development HK\$'000	Revaluation reserve - other properties HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2003										
As previously reported	128,648	929,824	129	913,023	7,005	348,192	69,992	(15,851)	406,296	2,787,258
Change in accounting policy on deferred taxation	-	-	-	6,430	-	-	-	-	(10,088)	(3,658)
As restated	128,648	929,824	129	919,453	7,005	348,192	69,992	(15,851)	396,208	2,783,600
Translation of accounts of a foreign subsidiary	-	-	-	-	-	-	-	(292)	-	(292)
Net gains or losses not recognised in the consolidated profit and loss account	-	-	-	-	-	-	-	(292)	-	(292)
Share of post-acquisition reserve movements on associated companies	-	-	-	-	-	(2)	-	-	-	(2)
Revaluation reserve realised upon disposal of properties	-	-	-	-	(1,011)	-	-	-	-	(1,011)
Distribution in specie	-	(929,824)	-	31,454	(5,994)	(348,190)	(69,992)	16,143	119,379	(1,187,024)
Loss for the period	-	-	-	-	-	-	-	-	(32,082)	(32,082)
At 30 September 2003	128,648	-	129	950,907	-	-	-	-	483,505	1,563,189

NOTES TO CONDENSED INTERIM ACCOUNTS

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	2003
	HK\$'000	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
Turnover	41,466	-	-	-	41,466
Segment results	43,204	-	-	-	43,204
Unallocated corporate expenses (net)	-	-	-	(17,137)	(17,137)
					26,067
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					
Turnover	40,566	16,380	-	-	56,946
Segment results	32,391	3,356	42	-	35,789
Unallocated corporate expenses (net)	-	-	-	(14,254)	(14,254)
Reorganisation costs	-	-	-	(38,419)	(38,419)
					(16,884)
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		
– current	4,674	1,537
Deferred tax	421	698
Overseas taxation		
– under provision in prior years	–	7
	5,095	2,242
Share of taxation attributable to associated companies	–	(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)		
Earnings/(loss) for the purpose of the calculation of basic earnings/(loss) per share	23,881	(32,082)
Number of shares		
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.

7. Trade and other receivables, deposits and prepayments

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Trade receivables	3,464	2,856
Loan receivables	—	363,931
Deposits, prepayments and other receivables	282,599	29,269
	286,063	396,056

The ageing analysis of trade receivables, which represent rental receivable including interest on overdue balances, is as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Current	1,691	1,846
31 – 60 days	1,528	737
61 – 90 days	34	16
Over 90 days	211	257
	3,464	2,856

8. Accounts payable, deposits received and accrued charges

Included in the accounts payable, deposits received and accrued charges are rental deposits and accruals.

Rental deposits amounting to HK\$18,444,000 (31 March 2004: HK\$15,899,000) are repayable when the tenancy contracts lapse.

9. Bank loans

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Bank loans, secured	885,000	612,500
Bank loans, unsecured	35,000	35,000
	920,000	647,500
Current portion	(95,000)	(91,000)
	825,000	556,500

The analysis of the above is as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Bank loans		
Wholly repayable within five years	920,000	35,000
Not wholly repayable within five years	—	612,500
	920,000	647,500

Certain bank loans were secured by first charges on investment properties and other specified assets of the Group and corporate guarantee from the Company.

10. Share capital

	Ordinary shares of HK\$0.10 each Number of shares	HK\$'000
<i>Authorised:</i>		
At 31 March 2004 and 30 September 2004	2,000,000,000	200,000
<i>Issued and fully paid:</i>		
At 31 March 2004 and 30 September 2004	1,310,925,244	131,092

11. Related party transactions

During the period, the Group had the following related party transactions:

	Unaudited Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Rental expenses (i)	960	—

- (i) The Group rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2003 at HK\$160,000 per month from Mexan International Limited ("MIL"). MIL is beneficially owned as to 65% by Mr. Lau Kan Shan ("Mr. Lau"), an executive director, chairman and controlling shareholder of the Company.

On 1 June 2004, the Group entered into an equity transfer agreement to acquire 44.9% equity interest of Ningbo Beilun Port Expressway Company Limited ("Beilun") for cash consideration between HK\$270 million and HK\$320 million from Mexan Holdings Limited ("MHL"), which is 99.99% beneficially owned by Mr. Lau. Beilun holds the operation right of Ningbo Beilun Port Expressway until 7 November 2037. On 2 June 2004, HK\$27 million was paid to MHL as purchase deposit. The consideration has been agreed of HK\$270 million, after taking into account of a business valuation performed on Beilun. Details of the transactions are set out in the announcements of the Company dated 1 June 2004 and 5 November 2004. On 7 December 2004, the second instalment of the purchase consideration of HK\$135 million was paid to MHL by the credit of the said amount from a fixed deposit in an overseas financial service company ("the FS Company") to MHL.

12. Subsequent events

(a) Disposal of investment properties

On 15 October 2004, the Group entered into a conditional sale and purchase agreement ("S & P Agreement") with a wholly-owned subsidiary of a listed company in Hong Kong (the "Purchaser") to dispose the entire interests in the investment properties at Elizabeth House Commercial Podium ("E-House") for a consideration of HK\$1,342 million and a purchase deposit of HK\$134 million was received. On 13 December 2004, the Group informed the Purchaser, that in the opinion of the Group, the S & P Agreement is no longer in force for reasons detailed in the announcement of the Company dated 15 December 2004. The Purchaser considered the S & P Agreement remains valid and binding on the Group and has indicated that it reserved all of its rights in respect of the S & P Agreement.

(b) Acquisition of investment properties

- (i) On 24 December 2004, the Group entered into a sale and purchase agreement to acquire certain properties located at "Datang Shengshi Villa II" ("Property A") in Shanghai, for a consideration of HK\$117 million from a third party. The value of Property A as of 20 November 2004 was RMB129 million, as valued by a PRC certified public valuer.
- (ii) On 24 December 2004, the Group entered into a sale and purchase agreement to acquire a property located at Beizhailu, Xijiao, Shanghai ("Property B"), for cash consideration of HK\$105 million from a third party. The value of Property B as of 20 December 2004 was RMB135 million, as valued by a PRC certified public valuer.

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 2003 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 House 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 synergetic 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.

SHARE OPTION SCHEME

On 27 September 2004, the Company adopted a new share option scheme (the "New Scheme") which is in compliance with Chapter 17 of the Listing Rules. No options have been granted under the New Scheme during the period from the date of its adoption to 30 September 2004.

A summary of the principal terms of the New Scheme has been set out in the 2004 annual report of the Company. The terms of the New Scheme have never been amended since its adoption.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Name of director	No. of Shares held	Capacity and nature of interest	Approximate shareholding percentage (%)
Lau Kan Shan (Note i)	964,548,303 (Note ii)	Interest of controlled corporation	73.58
Yan Sheng	9,000,000	Beneficial owner	0.69

Notes:

- i. A substantial Shareholder.
- ii. Such Shares were held by Mexan Group Limited and Mr. Lau Kan Shan was taken to have an interest in such Shares by virtue of the SFO since he was entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Mexan Group Limited.

(ii) Long positions in shares of associated corporation

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity and nature of interest	Shareholding percentage (%)
Mexan Group Limited	Lau Kan Shan	100	Beneficial owner	100

Save as disclosed above, as at 30 September 2004, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed in the paragraph headed "SHARE OPTION SCHEME" above, at no time during the six months ended 30 September 2004 was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

PERSONS WHO HAD AN INTEREST OR A SHORT POSITION WHICH WAS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 30 September 2004, so far as was known to the Directors and chief executive of the Company, the persons, other than the Directors or chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Long/short position	No. of Shares held	Capacity and nature of interest	Approximate shareholding percentage (%)
Mexan Group Limited	Long	964,548,303 (Note i)	Beneficial owner	73.58
Xia He Na (Note ii)	Long	964,548,303 (Note ii)	Interest of spouse	73.58
Cheung Kong (Holdings) Limited (Note iii)	Long	77,775,741 (Note iv)	Interest of controlled corporation	5.93
Li Ka-Shing Unity Trustee Company Limited (Note iii)	Long	77,775,741 (Note iv)	Trustee	5.93
Li Ka-Shing Unity Trustee Corporation Limited (Note iii)	Long	77,775,741 (Note iv)	Trustee and beneficiary of a trust	5.93
Li Ka-Shing Unity Trustcorp Limited (Note iii)	Long	77,775,741 (Note iv)	Trustee and beneficiary of a trust	5.93
Li Ka-Shing (Note iii)	Long	77,775,741 (Note iv)	Interest of controlled corporation and founder of discretionary trusts	5.93

Notes:

- i. Mr. Lau Kan Shan is deemed to be interested in the 964,548,303 Shares held by Mexan Group Limited as Mr. Lau Kan Shan is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Mexan Group Limited.
- ii. Ms. Xia He Na (formerly known as Ms. Ha Ming Kuen), the spouse of Mr. Lau Kan Shan, is deemed to be interested in Mr. Lau's Shares which represented the same parcel of Shares as held by Mexan Group Limited.
- iii. Mr. Li Ka-Shing is the settler and may be regarded as a founder of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") for the purpose of the SFO. Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of DT1 and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of DT2 holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of UT1. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings, holds interest in the shares of Cheung Kong (Holdings) Limited ("CKH").

The 77,775,741 Shares are interested in by Hutchison International Limited ("HIL") and Broadwell Profits Limited ("Broadwell"). HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL") and Broadwell is an indirect wholly-owned subsidiary of CKH. Certain subsidiaries of CKH together hold more than one-third of the issued share capital of HWL.

Therefore, Mr. Li Ka-Shing, TDT1, TDT2, TUT1 and CKH are deemed to be interested in the same 77,775,741 Shares which HIL and Broadwell are interested in under the SFO.

- iv. Such 77,775,741 Shares consists of (a) 24,442,408 Shares; and (b) 53,333,333 Shares to be issued by the Company upon full conversion of the convertible notes issued by the Company on 5 November 2003, assuming that the conversion price is HK\$3.00 per share, details of which are contained in the circular of the Company dated 3 November 2003.

Save as disclosed above, there is no person known to the Directors and chief executive of the Company who, as at 30 September 2004, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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.

MODEL CODE

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. 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincerest thanks to my fellow directors for their contribution and all members of management and staff for their dedicated work and effort.

By Order of the Board
Lau Kan Shan
Chairman

Hong Kong, 31 December 2004