



MEXAN LIMITED

茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

**INTERIM
REPORT
2005/2006**



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Lau Kan Shan (*Chairman*)

Tse On Kin (*Managing Director*)

Ching Yung

Independent Non-Executive Directors:

Chan Wai Dune

Lau Wai

Tong Kwai Lai

COMPANY SECRETARY

Chan Wai Ming

QUALIFIED ACCOUNTANT

Nip Suk Ching

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

STOCK CODE

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The board of directors (the “Board”) of MEXAN LIMITED (the “Company”) announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2005. The results have been reviewed by the Audit Committee. The unaudited consolidated condensed accounts of the Group for the six months ended 30 September 2005 together with the comparative figures for the corresponding previous period are as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	Note	Unaudited Six months ended 30 September 2005			Unaudited Six months ended 30 September 2004		
		Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(Restated)
Turnover	3	38,122	43,462	81,584	—	41,466	41,466
Direct costs		(9,795)	(7,288)	(17,083)	—	(6,768)	(6,768)
Gross profit		28,327	36,174	64,501	—	34,698	34,698
Other revenues	3	3,111	626	3,737	12,209	10,419	22,628
Administrative and other operating expenses		(40,381)	(50,960)	(91,341)	(17,135)	(1,766)	(18,901)
(Loss)/profit from operations	4	(8,943)	(14,160)	(23,103)	(4,926)	43,351	38,425
Finance costs		(10,080)	(30,388)	(40,468)	(4,237)	(8,865)	(13,102)
Share of results of a jointly controlled entity		(1,053)	—	(1,053)	—	—	—
Increase in fair value of investment properties		1,475	—	1,475	—	—	—
(Loss)/profit before taxation		(18,601)	(44,548)	(63,149)	(9,163)	34,486	25,323
Taxation (charge)/credit	5	(1,854)	2,179	325	(1,451)	(3,617)	(5,068)
(Loss)/profit for the period attributable to equity holders of the Company		(20,455)	(42,369)	(62,824)	(10,614)	30,869	20,255
Dividend	6			249,075			—
(Loss)/earnings per share (cents)	7	(1.560)	(3.232)	(4.792)	(0.810)	2.355	1.545

CONSOLIDATED BALANCE SHEET*As at 30 September 2005*

	Note	Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment		679,440	688,798
Investment properties		234,211	1,692,736
Intangible asset		12,931	13,514
Investment in a jointly controlled entity		262,820	263,873
Other investments		1,350	1,350
Deposits for acquisition of a subsidiary		185,500	6,000
Deposits for investment property		104,589	104,589
		1,480,841	2,770,860
Current assets			
Trade and other receivables, deposits and prepayment	9	101,769	361,960
Pledged deposits		—	48,400
Cash and bank balances		19,191	36,944
		120,960	447,304
Assets classified as held for sale	8	1,545,542	—
		1,666,502	447,304
Current liabilities			
Accounts payable, deposits received and accrued charges	10	17,723	237,559
Taxation		1,328	4,065
Dividend payable		313	313
Current portion of obligations under finance lease		333	324
Current portion of bank loans	11	11,600	95,000
Other loan		298	—
		31,595	337,261
Liabilities directly associated with assets classified as held for sale	8	1,328,737	—
		1,360,332	337,261
Net current assets		306,170	110,043
Total assets less current liabilities		1,787,011	2,880,903

CONSOLIDATED BALANCE SHEET *(Continued)**As at 30 September 2005*

	Note	Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000 (Restated)
Financed by:			
Share capital	12	131,092	131,092
Reserves		1,166,693	1,478,592
Equity attributable to equity holders of the Company		1,297,785	1,609,684
Obligations under finance lease		232	400
Bank loans	11	—	795,000
Convertible notes		156,839	155,421
Promissory notes		320,000	320,000
Other loans		11,722	—
Deferred taxation		433	398
		489,226	1,271,219
		1,787,011	2,880,903

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2005*

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Net cash (outflow)/inflow from operating activities	(162,246)	45,795
Net cash inflow from investing activities	154,772	66,478
Net cash (outflow)/inflow from financing activities	(8,094)	479,757
(Decrease)/increase in cash and cash equivalents	(15,568)	592,030
Cash and cash equivalents at beginning of period	36,944	10,646
Cash and cash equivalents at end of period	21,376	602,676
Analysis of balances of cash and cash equivalents:		
Time deposits	—	482,013
Cash and bank balances	21,376	120,663
	21,376	602,676

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Unaudited							Total
	Share capital	Share premium	Capital redemption reserve	Equity component of convertible notes	Revaluation reserve on investment properties	Hotel property revaluation reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005								
As previously reported	131,092	57,556	129	—	913,519	12,570	503,934	1,618,800
Prior year adjustments (notes 1 & 2)	—	—	—	14,959	(913,519)	(12,570)	902,014	(9,116)
As restated	131,092	57,556	129	14,959	—	—	1,405,948	1,609,684
Loss for the period	—	—	—	—	—	—	(62,824)	(62,824)
Dividend paid	—	—	—	—	—	—	(249,075)	(249,075)
At 30 September 2005	131,092	57,556	129	14,959	—	—	1,094,049	1,297,785

	Unaudited							Total
	Share capital	Share premium	Capital redemption reserve	Equity component of convertible notes	Revaluation reserve on investment properties	Hotel property revaluation reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004								
As previously reported	131,092	57,556	129	—	1,038,368	—	503,184	1,730,329
Prior year adjustments (notes 1 & 2)	—	—	—	14,959	(1,038,368)	—	1,035,389	11,980
As restated	131,092	57,556	129	14,959	—	—	1,538,573	1,742,309
Profit for the period	—	—	—	—	—	—	20,255	20,255
At 30 September 2004	131,092	57,556	129	14,959	—	—	1,558,828	1,762,564

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "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"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except that in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS-Int 2	The Appropriate Policies for Hotel Properties
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets

The adoption of HKASs 1, 7, 8, 10, 12, 14, 18, 19, 21, 23, 24, 27, 31, 33 and 37 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

(a) **HKFRS 5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Pursuant to HKFRS 5, the operations of Winsworld Properties Limited ("Winsworld"), a subsidiary of the Company, were classified as discontinued operation when the Group entered in a sale and purchase agreement to dispose of the entire interest in Winsworld as detailed in note 8 below.

The adoption of HKFRS 5 does not impact on the group's prior period financial statements. The income statement of the Group for the comparative period has been restated to comply with the disclosure requirements for a discontinued operation.

(b) **HKAS 40 INVESTMENT PROPERTIES HKAS-INT 21 INCOME TAXES — RECOVERY OF REVALUED NON- DEPRECIABLE ASSETS**

In prior years, increases in valuations of investment properties were credited to revaluation reserve on investment properties whereas decreases in valuations were firstly set off against revaluation reserve and thereafter charged to the profit and loss account. Deferred tax was provided on the basis that the carrying amounts of investment properties would be recovered through sale.

Upon the adoption of HKAS 40 and HKAS-Int 21, changes in fair value of investment properties are included in the profit and loss account and deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use. These changes in accounting policies have been applied retrospectively, as summarised in note 2 below and comparatives presented have been restated to conform to the changed policy.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

(c)	HKAS 16	PROPERTY, PLANT AND EQUIPMENT
	HKAS 17	LEASES
	HKAS-INT 2	THE APPROPRIATE POLICIES FOR HOTEL PROPERTIES

In prior years, the Group's hotel properties were stated at their open market values for existing use on the basis of annual professional valuations. No depreciation was provided on the hotel properties on the basis that they were maintained in such condition that their residual values were not diminished by the passage of time and that any element of depreciation was insignificant.

Upon the adoption of HKAS 16 and HKAS-Int 2, the Group's leasehold interest in the hotel buildings is now stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in hotel land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effects of the above changes are summarised in note 2 below. The comparative amounts in the condensed consolidated balance sheet as at 31 March 2005 have been restated to reflect the reclassification of leasehold land.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)***(d) HKAS 32 AND HKAS 39 — FINANCIAL INSTRUMENTS****Convertible notes**

In prior years, convertible notes were stated at amortised cost. Upon the adoption of HKAS 32 and HKAS 39, convertible notes issued are split into liability and equity components.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The effects of the above changes are summarised in note 2 below. In accordance with HKAS 32, comparative amounts have been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments are summarised as follows:

(a) EFFECT ON OPENING BALANCE OF TOTAL EQUITY AT 1 APRIL 2005

Effect of new policies (increase/(decrease))	Notes	Equity component of convertible notes (Unaudited) HK\$'000	Revaluation reserve on investment properties (Unaudited) HK\$'000	Hotel property revaluation reserve (Unaudited) HK\$'000	Retained Profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustments						
HKASs 16 and 17						
Hotel property	1(c)	—	—	(12,570)	(2,427)	(14,997)
HKASs 32 and 39						
Convertible notes	1(d)	14,959	—	—	(9,078)	5,881
HKAS 40						
Investment properties	1(b)	—	(913,519)	—	913,519	—
Total effect at 1 April 2005		14,959	(913,519)	(12,570)	902,014	(9,116)

(b) EFFECT ON OPENING BALANCE OF TOTAL EQUITY AT 1 APRIL 2004

Effect of new policies (increase/(decrease))	Notes	Equity component of convertible notes (Unaudited) HK\$'000	Revaluation reserve on investment properties (Unaudited) HK\$'000	Hotel property revaluation reserve (Unaudited) HK\$'000	Retained Profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustments						
HKASs 32 and 39						
Convertible notes	1(d)	14,959	—	—	(2,979)	11,980
HKAS 40						
Investment properties	1(b)	—	(1,038,368)	—	1,038,368	—
Total effect at 1 April 2004		14,959	(1,038,368)	—	1,035,389	11,980

3. REVENUES AND TURNOVER

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

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Continuing operations		
Hotel investment	37,672	—
Rental income	450	—
	38,122	—
Discontinued operation		
Rental income	43,462	41,466
Total turnover	81,584	41,466
<hr/>		
Other revenues		
Continuing operations		
Interest income	3,067	12,209
Other income	44	—
	3,111	12,209
<hr/>		
Discontinued operation		
Guaranteed net rental receipts	—	10,261
Interest income	626	148
Other income	—	10
	626	10,419
Total other revenues	3,737	22,628
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Total revenues	85,321	64,094

(a) PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS

The Group is organised into three main business segments:

- Property rental
- Hotel investment
- Toll road project

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

3. REVENUES AND TURNOVER *(Continued)*

For the six months ended 30 September 2005 (Unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Property rental HK\$'000	Hotel investment HK\$'000	Toll road HK\$'000	Property rental HK\$'000	
Turnover	450	37,672	—	43,462	81,584
Segment results	412	9,154	—	34,244	43,810
Unallocated corporate expenses (net)					(70,606)
					(26,796)
Interest income					3,693
Finance costs					(40,468)
Share of results of a jointly controlled entity	—	—	(1,053)	—	(1,053)
Increase in fair value of investment properties					1,475
Loss before taxation					(63,149)
Taxation credit					325
Loss for the period					(62,824)

For the six months ended 30 September 2004 (Unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000 (Restated)
	Property rental HK\$'000	Hotel investment HK\$'000	Toll road HK\$'000	Property rental HK\$'000	
Turnover	—	—	—	41,466	41,466
Segment results	—	—	—	43,203	43,203
Unallocated corporate expenses (net)					(17,135)
					26,068
Interest income					12,357
Finance costs					(13,102)
Profit before taxation					25,323
Taxation charge					(5,068)
Profit for the period					20,255

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

4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after charging the following:

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Staff costs	9,888	9,468
Depreciation of fixed assets	9,475	342
Amortization of intangible assets	583	—

5. TAXATION

Hong Kong profits tax has been provided at the rate of 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 (credited)/charged to the consolidated income statement represents:

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000 (Restated)
Hong Kong profits tax		
— current	—	4,674
— overprovision in prior years	(1,411)	—
Deferred tax	1,086	394
	(325)	5,068

6. DIVIDENDS

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Dividend paid — HK\$0.19 per share (2004: Nil)	249,075	—

On 23 May 2005, a dividend of HK\$0.19 per fully paid share (total dividend: HK\$249,075,000) was paid to shareholders.

7. (LOSS)/EARNINGS PER SHARE

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

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000 (Restated)
(Loss)/earnings for the purpose of the calculation of basic (loss)/earnings per share		
Continuing operations	(20,455)	(10,614)
Discontinued operation	(42,369)	30,869
	(62,824)	20,255
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic (loss)/earnings per share	1,310,925,244	1,310,925,244

No diluted (loss)/earnings 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.

8. DISCONTINUED OPERATION

During the period the Group contracted to dispose of the entire interests in Winsworld or the investment property of Winsworld. On 11 November 2005, the entire interests in Winsworld were disposed of. Accordingly, the assets and liabilities and operating results of Winsworld had been recognised and accounted for disposal group held for sale. The operating results of Winsworld are presented as discontinued operation.

8. DISCONTINUED OPERATION *(Continued)*

The net cash flows attributable to the operating, investing and financing activities of Winsworld during the six months ended 30 September 2005 are set out below:

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Net cash (outflow)/inflow from operating activities	(4,117)	43,377
Net cash inflow/(outflow) from investing activities	148,626	(7,142)
Net cash outflow from financing activities	(154,468)	(28,803)

The carrying amount of major classes of assets and liabilities classified as disposal group held for sale as at 30 September 2005 are analysed as follows:

	At 30 September 2005 HK\$'000
Assets	
Investment properties	1,480,000
Trade and other receivables, deposits and prepayment	14,364
Pledged deposits	48,788
Tax recoverable	205
Cash and bank balances	2,185
	1,545,542
Liabilities	
Accounts payable, deposits received and accrued charges	172,685
Bank loans	825,000
Other loan	330,000
Deferred taxation	1,052
	1,328,737

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000
Trade receivables	—	6,240
Loan receivables	34,000	36,000
Fixed deposits with FS Company	—	240,176
Deposits, prepayments and other receivables	67,769	79,544
	101,769	361,960

The ageing analysis of trade receivables as at 31 March 2005, which represent rental receivable including interest on overdue balances, is as follows:

	Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000
Current	—	2,502
31 — 60 days	—	1,007
61 — 90 days	—	959
Over 90 days	—	1,772
	—	6,240

10. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

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

11. BANK LOANS

	Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000
Bank loans, secured	—	855,000
Bank loans, unsecured	11,600	35,000
	11,600	890,000
Current portion	(11,600)	(95,000)
	—	795,000

11. BANK LOANS *(Continued)*

All bank loans are wholly repayable within five years.

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

12. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
Authorised:		
At 1 April 2005 and 30 September 2005	2,000,000,000	200,000
Issued and fully paid:		
At 1 April 2005 and 30 September 2005	1,310,925,244	131,092

13. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following related party transactions:

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Related expenses	960	960

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.

13. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) On 15 August 2005, Portfield Limited, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors for the acquisition of a total 55.1% equity interest in Ningbo Beilun Port Expressway Company Limited for a consideration of HK\$530 million which will be satisfied by the payment of cash and the transfer of the entire interest (including the relevant shareholder's loans) in three of the Company's indirect wholly-owned subsidiaries which principal assets comprise properties in the People's Republic of China.

The Vendors to the Acquisition Agreement are Mexan Holdings Limited ("MHL") and 中國華星資產經營有限公司 (China Huaxing Asset Management Limited) ("CHAM"). Mr. Lau holds a beneficial interest of approximately 99.99% in the issued share capital of MHL and a majority interest in 上海茂盛企業發展(集團)有限公司 (Shanghai Mexan Enterprise Development (Group) Company Limited) which in turn holds approximately 66.67% equity interest in CHAM.

Details of the transactions are set out in the circular of the Company dated 14 November 2005. The transactions are approved by independent shareholders at the special general meeting held on 30 November 2005.

14. SUBSEQUENT EVENT

On 11 November 2005, the sale and purchase agreement between the Company and its subsidiaries, All Victory Holdings Limited and Winsworld Properties Limited ("Winsworld"), a third party (the "Purchaser") and the Purchaser's guarantor to dispose of the investment property of Winsworld was completed. Upon completion of the sale and purchase agreement, the loan of HK\$480 million had been arranged and the consideration of HK\$1.48 billion had been received. The Purchaser became the beneficial owner of Winsworld and Winsworld was ceased to be a subsidiary of the Company.

DIVIDEND

On 23 May 2005, a dividend of HK\$0.19 per fully paid share (total dividend: HK\$249,075,000) was paid to shareholders.

The Board resolved not to declare further dividend for the six months ended 30 September 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover of the Group recorded for the six months ended 30 September 2005 amounted to approximately HK\$81.5 million, representing an increase of 97% compared to the same period last year. The increase in turnover was mainly generated from the operation of Mexan Harbour Hotel, which commenced operation in late December 2004 and contributed approximately HK\$37.7 million to turnover (2004: Nil). Mexan Harbour Hotel experienced a respectable growth in its operating results, achieving an average occupancy of 83%.

The Group recorded a loss of approximately HK\$62.8 million for the six months ended 30 September 2005 compared to a profit of approximately HK\$20.2 million (restated) in the corresponding period in 2004. The results were mainly affected by an increase in finance cost of approximately HK\$27 million, resulted from the increase in borrowings and interest rate as compared with corresponding period in 2004, and the payment of agency fee of HK\$48 million for the disposal of Winsworld, a subsidiary of the Group holding property interest in commercial podium and car parks of the Elizabeth House.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2005, the Group's total borrowings amounted to approximately HK\$1,656 million (31 March 2005: approximately HK\$1,366 million (restated)), of which HK\$1,155 million were included in liabilities directly associated with assets classified as held for sale. Cash and bank balances amounted to approximately HK\$70 million as at 30 September 2005 (31 March 2005: approximately HK\$85 million), of which approximately HK\$51 million were included in assets classified as held for sale. The Group's net assets as at 30 September 2005 amounted to approximately HK\$1,298 million (31 March 2005: approximately HK\$1,610 million (restated)).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to equity attributable to equity holders of the Company was approximately 128% as at 30 September 2005 compared to approximately 85% (restated) as at 31 March 2005.

Of the Group's total borrowings as at 30 September 2005, approximately HK\$402 million (24.3%) would be due within one year, approximately HK\$922 million (55.7%) (including HK\$765 million which were included in liabilities directly associated with assets classified as held for sale) would be due in more than one year but not exceeding two years, approximately HK\$321 million (19.4%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$11 million (0.6%) would be due in more than five years.

The above borrowings included the bank borrowings of HK\$836.6 million, which were secured by the first charges on the investment property 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

The Group has completed the disposal of Winsworld, which owns the commercial podium and car parks of Elizabeth House, in November 2005. Upon completion of the disposal, the Group utilizes the proceeds to reduce its major portion of the outstanding borrowings and improve its working capital condition. After receipt of the balance of the consideration of HK\$1,332 million and repayment of the Group's borrowings of approximately HK\$1,167 million, the Group's total borrowings decreased from approximately HK\$1,656 million to approximately HK\$489 million. The Group's gearing ratio reduced from approximately 128% as at 30 September 2005 to approximately 38%.

Mexan Harbour Hotel has achieved a satisfactory result since its opening in late December 2004. With the future opening of Tung Chung Cable Car and Hong Kong Wetland Park, these new projects would attract more visitors to Hong Kong and stimulate keen demands in hotel rooms. The market for hotel operation is still prosperous in the coming years. With the increasing number of PRC visitors to Hong Kong together with the strategic location of Mexan Harbour Hotel in Tsing Yi, being a 3-star hotel closest to Hong Kong Disneyland, Mexan Harbour Hotel is well-positioned to generate higher revenue and net income to the Group in future.

The Group entered into four legally binding Memoranda of Understanding (the “MOUs”) with three different companies (the “Toll Road Companies”) in May 2005 in relation to the toll roads projects in the PRC. On 15 August 2005, the Group entered into an acquisition agreement with Mexan Holdings Limited and 中國華星資產經營有限公司 (China Huaxing Asset Management Limited) for the acquisition (the “Acquisition”) of a total of 55.1% equity interest in Ningbo Beilun Port Expressway Company Limited (the “Beilun Company”). Beilun Company is the owner of Ningbo Beilun Port Expressway. The Acquisition was duly passed and approved by the independent shareholders of the Company at a special general meeting held on 30 November 2005. Upon completion, Ningbo Beilun Port Expressway will be the first toll road wholly owned and operated by the Group. As mentioned in the circular regarding the Acquisition dated 14 November 2005, there recorded a 14% increase in turnover for the eight months ended 31 August 2005 compared with the corresponding period in 2004. In view of the strong upward growth of economy in Zhejiang Province as well as the increasing throughputs in Beilun Port Cargo Terminal, we anticipate that the traffic volume of Ningbo Beilun Port Expressway would keep the same pace as that during its ramp up period.

The Group will further develop its investment, operation and management in the PRC toll road business. Other than toll road investments stated in the MOUs, the Group will explore other valuable investment opportunities in the PRC toll road industry in future.

The Group targets to achieve the following main objectives for the upcoming year:

- To conduct negotiations and due diligences with the Toll Road Companies and to acquire the toll roads as stipulated in the MOUs so as to widen our toll roads portfolio, to enhance the Group’s revenue and to maximize returns for shareholders of the Company; and
- To establish our own toll road operation management team to work with the existing management service provider of Beilun Company so as to facilitate smooth changeover of the operations and management of Beilun Company upon the expiration of the existing management service agreement, and also to provide toll road management services to other PRC companies. The establishment of toll road operation management team will enable Beilun Company to explore new revenue source and also enable the Group to enjoy the benefits of economics of scale especially when the Group acquires more toll roads in future.

EMPLOYEE INFORMATION

As at 30 September 2005, the total number of employees of the Group was approximately 156 (31 March 2005: 152). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

The Company has not redeemed any of its listed securities during the six months ended 30 September 2005. 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 2005.

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 up to 30 September 2005.

A summary of the principal terms of the New Scheme has been set out in the 2005 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 2005, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, as recorded in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

(1) Long positions in shares of the Company

Name of Director	No. of shares of HK\$0.10 each 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

Notes:

- i. A substantial shareholder of the Company.
- 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.

(2) Long positions in shares of associated corporation

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

Save as disclosed above, as at 30 September 2005, none of the Directors or chief executive of the Company or any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

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 2005 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 2005, so far as was known to the Directors and chief executive of the Company, the persons, other than the director or chief executive of the Company who had an interest or short positions in the shares and underlying shares of the Company 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 of the Company 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 of the Company as held by Mexan Group Limited.
- iii. Mr. Li Ka-Shing is the settlor 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 of the Company 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 of the Company which HIL and Broadwell are interested in under the SFO.

- iv. Such 77,775,741 shares of the Company consists of (a) 24,442,408 shares of the Company; and (b) 53,333,333 shares of the Company 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 2005, 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 2005.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code") throughout the six months ended 30 September 2005, except for the following deviations:

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

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

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

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Lau Kan Shan, the chairman of the board of the Company, has not attended the annual general meeting of the Company held on 29 August 2005 due to other business engagement.

REMUNERATION COMMITTEE

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises three members, a majority of whom are Independent Non-executive Directors of the Company. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. 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, 20 December 2005