

CHAIRMAN'S STATEMENT

RESULTS

Turnover of MEXAN LIMITED (the "Company") together with its subsidiaries (the "Group") for the year amounted to approximately HK\$171.5 million, representing an increase of 65% compared to last year. The increase in turnover was mainly generated from the operation of Mexan Harbour Hotel and Ningbo Beilun Port Expressway. Mexan Harbour Hotel commenced operation in late December 2004 and contributed approximately HK\$75.7 million to turnover (2005: approximately HK\$19.2 million). After the completion of the acquisition of the remaining 55.1% equity interest in Ningbo Beilun Port Expressway Company Limited ("Beilun Company") in December 2005, Beilun Company contributed approximately HK\$41.5 million to turnover (2005: Nil). The Board appreciates that the growth in turnover of both Beilun Company and Mexan Harbour Hotel during the year is encouraging to the Group.

The Group recorded a loss of approximately HK\$108.9 million for the year compared to a loss of approximately HK\$132.6 million (restated) for last year. The results for current year were mainly affected by an increase in finance costs, as the interest rate for HKD denominated borrowings was increased when compared with last year and additional bank borrowings to finance the acquisition of Beilun Company was recognized by the Group. The interest expenses recorded in Beilun Company during the period from the date of acquisition by the Group to the current year end amounted to approximately HK\$27.4 million, which is significant when compared to the total interest expenses for last year, which was amounted to approximately HK\$29.6 million. In addition, since the Group has accomplished two very substantial projects including a very substantial acquisition for the acquisition of the remaining 55.1% equity interest in Beilun Company and a very substantial disposal for the disposal of the entire interest of Winsworld Properties Limited ("Winsworld"), the owner of an investment property in Elizabeth House, during the year, therefore, the professional fees for the current year were then increased accordingly. These professional fees were charged on non-recurring basis and will have no impact on the Group in the coming years. Moreover, the restated result for last year was mainly affected by the adoption of new and revised accounting policy (i.e. Hong Kong Financial Reporting Standards) in restatement of decrease in fair value of investment properties.

BUSINESS REVIEW AND OUTLOOK

During the year under review, the Group acquired the remaining 55.1% equity interest in Beilun Company in December 2005. Accordingly, Beilun Company, the owner of the operating right of Ningbo Beilun Port Expressway, became a wholly-owned subsidiary of the Company in the PRC. The acquisition of the entire interest in Beilun Company marked a success of the Company in diversifying our business into the PRC toll road industry and was also a milestone of the Company's business development of toll road industry in the PRC. Ningbo Beilun Port Expressway 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. In view of the strong upward growth of economy in Zhejiang Province as well as the increasing throughputs in Beilun Port Cargo Terminal, it is anticipated that the traffic volume of Ningbo Beilun Port Expressway will grow as forecasted. Turnover recorded in Beilun Company for the year of 2005 has been increased by 16% from the year of 2004.





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BUSINESS REVIEW AND OUTLOOK (continued)

Mexan Harbour Hotel, a 800-room three-star standard hotel, is designed for tourists particularly for theme park visitors. According to the figure provided by Census and Statistics Department, the number of visitors' arrival to Hong Kong for the year 2005 has shown an increase of approximately 7.1%. Benefited from its strategic location of close proximity to both the Hong Kong International Airport and Hong Kong Disneyland and increasing number of visitors to Hong Kong created strong demands for hotel rooms, Mexan Harbour Hotel achieved a satisfactory result since its opening in late December 2004 with an average occupancy rate of approximately 88% throughout the year while the hotel accommodation industry in Hong Kong made an average occupancy rate of approximately 86% in the year 2005.

In November 2005, the Group has completed the disposal of Winsworld, which owns the investment property of Elizabeth House, at a consideration of HK\$1,480 million. The disposal constituted a very substantial disposal under the Listing Rules. Details of the disposal were disclosed in the Company's announcements dated 15 July 2005, 27 October 2005 and 14 November 2005 and the Company's circular dated 15 August 2005. Upon completion of the disposal, the Group has utilized the proceeds from the disposal to reduce its borrowings.

Looking forward, the Group will further diversify its business from property investment into hotel operation and toll road operation.

LIQUIDITY AND FINANCIAL INFORMATION

During the year under review, the Group derived its funds mainly from cashflows generated from operations as well as financial resources from bank borrowings and other borrowings. As at 31 March 2006, the Group's total borrowings amounted to approximately HK\$2,012 million compared with approximately HK\$1,366 million (restated) last year. The increase of the Group's total borrowings was mainly due to the acquisition of Beilun Company, which had a project financing of approximately HK\$1,560 million at the current year end. As at 31 March 2006, cash and bank balances amounted to approximately HK\$20 million, together with cash deposited with a securities firm of approximately HK\$82 million compared with cash and bank balances of approximately HK\$85 million, and cash deposited with a securities firm of approximately HK\$50 million last year. The Group's net assets as at 31 March 2006 amounted to approximately HK\$1,260 million compared with approximately HK\$1,610 million (restated) last year.

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 160% as at 31 March 2006 compared to approximately 85% (restated) as at 31 March 2005. Net gearing ratio of the Group which is expressed as a percentage of net borrowings (total borrowings less cash and bank balance) to equity attributable to equity holders of the Company was approximately 158% compared with approximately 80% (restated) last year.

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LIQUIDITY AND FINANCIAL INFORMATION (continued)

Of the Group's total borrowings as at 31 March 2006, approximately HK\$36 million (1.8%) would be due within one year, approximately HK\$54 million (2.7%) would be due in more than one year but not exceeding two years, approximately HK\$458 million (22.7%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$1,464 million (72.8%) would be due after five years.

The borrowings were denominated in Hong Kong dollars and Renminbi. Approximately HK\$1,560 million (77.5%) was denominated in Renminbi and approximately HK\$452 million (22.5%) was denominated in Hong Kong dollars. An amount of approximately HK\$26 million out of the total borrowings of approximately HK\$2,012 million bears a fixed interest rate.

The above borrowings of approximately HK\$2,012 million, including bank borrowings and other borrowings, were secured by the hotel property, investment property, the operating right of Ningbo Beilun Port Expressway and corporate guarantees from the Group.

TREASURY POLICIES

The Group generally financed its operations with internally generated resources and credit facilities. The bank deposits will be mainly in Hong Kong dollars and Renminbi.

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in the currency tied in with the Group's businesses in the countries of the currencies concerned and the borrowings were balanced by assets in the same currencies.

In addition, the Group had not implemented major hedging or other alternative measures during the year ended 31 March 2006 as the expected appreciation of Renminbi will benefit the Group as a whole and other foreign currency risk exposure was considered to be minimal. As at 31 March 2006, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

EQUITY

Total equity of the Group as at 31 March 2006 was approximately HK\$1,260 million compared with approximately HK\$1,610 million (restated) last year. The reduction was mainly due to the distribution of dividends to all shareholders of the Company amounted to approximately HK\$249 million and the loss of approximately HK\$109 million incurred during the year.





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EMPLOYEE INFORMATION

As at 31 March 2006, the total number of employees of the Group was 178 (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 periodic basis. The Group participates in pension schemes which cover all the eligible employees of the Group.

CONTINGENT LIABILITY

At 31 March 2006, the Company had provided guarantees to banks and a third party in respect of loans granted to its subsidiary amounting to approximately HK\$414,001,000 and approximately HK\$25,619,000 respectively.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, professional advisers, bankers and customers for their continuous support, patronage and trust. I would also like to thank my fellow directors and staff for their dedicated contribution and loyal services.

Lau Kan Shan

Chairman

Hong Kong, 19 July 2006