

# DIRECTORS' REPORT

The directors ("Directors" or individually, the "Director") of MEXAN LIMITED (the "Company") submit their report together with the audited financial statements for the year ended 31 March 2007.

## GROUP REORGANISATION

On 12 April 2007, the Company and its subsidiaries (the "Group") completed a group reorganisation (the "Group Reorganisation"), pursuant to which: (i) the Company will continue to be a listed company, together with its subsidiaries (the "Remaining Group") will be carrying on the Group's business of hotel investment and operation (the "Remaining Business"); (ii) Inventive Limited ("Inventive") and its subsidiaries (the "Inventive Group") will be carrying on the businesses of the Group, including the Group's toll road operation and management as well as investment holding, other than the Remaining Business; and (iii) the shareholders will receive by way of distribution in specie the share of Inventive on the basis of one share of Inventive for each share of the Company held. Details of the Group Reorganisation have been set out on the circular of the Company dated 17 March 2007 and the composite offer document dated 16 April 2007 issued jointly by the Company and Winland Wealth (BVI) Limited.

## PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries include hotel operation, toll road operation and property investment. Further details of subsidiaries during the year ended 31 March 2007 are set out in note 37 to the financial statements.

Upon the completion of the Group Reorganisation on 12 April 2007 and up to the date of this report, the principal activity of the Company remains as investment holding, and the principal activities of its subsidiaries include hotel investment and operation.

An analysis of turnover and results from operations of the Group for the year by principal activities is set out in note 5 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 35.

The state of affairs of the Group and the Company as at 31 March 2007 are set out in the balance sheets on pages 36 to 38.

The cash flows of the Group are set out in the consolidated cash flow statement on pages 40 to 41.

As at 31 March 2007, the distributable reserves of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,012,047,000 (2006: HK\$738,445,000).

The Directors does not recommend the payment of final dividend for the year ended 31 March 2007 (2006: Nil).



# DIRECTORS' REPORT

## SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 27 to the financial statements.

## RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 93.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in hotel property and other property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

## INVESTMENT PROPERTY

Details of movements in investment properties of the Group during the year are set out in note 17 to the financial statements.

## PRINCIPAL PROPERTY

Particulars of the Group's hotel property are set out on page 94.

## BANK LOANS

Particulars of the Group's bank loans are set out in note 29 to the financial statements.

## PENSION SCHEME

Details of the Group's pension scheme are set out in note 10 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

## 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.

# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for 12.9% and 30.3% respectively of the turnover of the Group for the year.

None of the Directors, their associates or any shareholders (who, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any beneficial interest in the major customers noted above.

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% in the year under review.

## DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

### *Executive Directors:*

Lun Chi Yim ( <i>Chairman</i> )	(appointed on 19 April 2007)
Lun Yiu Kay Edwin ( <i>Managing Director</i> )	(appointed on 19 April 2007)
Ng Tze Ho Joseph	(appointed on 19 April 2007)
Lau Kan Shan	(resigned on 7 May 2007)
Tse On Kin	
Ching Yung	

### *Independent Non-Executive Directors:*

Tse Kwing Chuen	(appointed on 19 April 2007)
Ng Hung Sui Kenneth	(appointed on 19 April 2007)
Lam Yiu Pang Albert	(appointed on 19 April 2007)
Chan Wai Dune	
Lau Wai	
Tong Kwai Lai	

After the Group Reorganisation which was completed on 12 April 2007, Mr. Tse On Kin, Ms. Ching Yung, Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai remain in office in order to facilitate the smooth handover of the Company's affairs. As the handover process will soon be completed. On 17 July 2007, Mr. Tse On Kin, Ms. Ching Yung, Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai tendered their resignation as directors of the Company effective on 24 July 2007.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Lun Chi Yim, Mr. Lun Yiu Kay Edwin, Mr. Ng Tze Ho Joseph, Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert, were appointed as directors by the board of directors after the end of the year, shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

# DIRECTORS' REPORT

## **DIRECTORS** (continued)

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group, which is not determinable by the Group within one year without payment of compensation, other than statutory compensations.

The Company has received from each of the Independent Non-Executive Directors their annual confirmations of independence and considers that each of the Independent Non-Executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of Directors and senior management of the Company as at the date of this report are set out below:

### *Executive Directors*

**Mr. Lun Chi Yim**, aged 73, has been a Director and the Chairman of the Board since April 2007. Mr. Lun is an experienced real property investor. He is a graduate of the Civil Engineering Department in the South China University of Technology in the People's Republic of China (the "PRC") in 1957. He was engaged in the construction business after graduation, and involved in property investment in Hong Kong since late 1960's. He was appointed as a Guest Professor in the South China University of Technology in the PRC in 2001. He is the Permanent Honorary President of the Hong Kong Real Estate Agencies General Association Limited and an honorary citizen in the city of Lo Din in Guangdong Province of the PRC.

Mr. Lun is the founder of the Winland Group which is a diversified group of companies established in Hong Kong and principally engaged in the businesses of property investment, money lending (only on security of immovable properties or shares of listed companies) and the provision of hotel and property management services. Mr. Lun also engages in various infrastructure investments in the PRC through joint ventures.

He is also the sole director and ultimate sole shareholder of Winland Wealth (BVI) Limited, which has an interest in the shares of the Company, which falls to be disclosed under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

Mr. Lun is also a director of the wholly-owned subsidiaries of the Company after Group Reorganisation, and he is the father of Mr. Lun Yiu Kay Edwin, an executive director and the Managing Director of the Company.

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### *Executive Directors (continued)*

**Mr. Lun Yiu Kay Edwin**, aged 37, has been a Director and the Managing Director of the Company since April 2007. Mr. Lun holds a Bachelor's Degree in Science (Land Management) from the University of Reading, United Kingdom. He has over 13 years' experience in property investment, finance and management. He is also experienced in hotel management and in the tourism industry. Mr. Lun joined the Winland Group in 1994 and is currently a director of various companies in the Winland Group.

Mr. Lun is also a director of the wholly-owned subsidiaries of the Company after Group Reorganisation, and he is the son of Mr. Lun Chi Yim, an executive director and the Chairman of the Company.

**Mr. Ng Tze Ho Joseph**, aged 35, has been a Director since April 2007. Mr. Ng holds a Bachelor's Degree in Science (Quantity Surveying) from the University of Reading, United Kingdom. He has over 12 years' experience in property investment and development, leasing and management. Mr. Ng joined the Winland Group in 1997 and is currently a director of several companies in the Winland Group.

**Mr. Tse On Kin**, aged 45, has been a Director since March 2005. Mr. Tse has over 19 years of experience in corporate planning, operating, human resources and new markets development. Mr. Tse has a Bachelor Degree in Public Policy and Administration from York University in Canada. Mr. Tse is currently the chairman and an executive director of Kong Sun Holdings Limited and New Times Group Holdings Limited and a non-executive director of China Sciences Conservational Power Limited. Mr. Tse was also the former chairman of China Sciences Conservational Power Ltd. from March 2006 to March 2007, an executive director of China National Resources Development Holdings Ltd. from April 2004 to August 2005 and the vice-chairman & chief executive officer of Great Wall Cybertech Ltd. from August 2001 to September 2006.

**Ms. Ching Yung**, aged 48, has been a Director since June 2003. She has been the assistant to Mr. Lau Kan Shan, the former chairman and executive director of the Company, since 1991 prior to joining the Company. Ms. Ching has over 13 years experience in shipping, sales, accounting and administration.

### *Independent Non-Executive Directors*

**Dr. Tse Kwing Chuen**, aged 56, has been a Director since April 2007. Dr. Tse obtained a Master's Degree in Economics from the Zhongshan University, the PRC and a Doctorate's Degree of Philosophy in Business Administration from the Bulacan State University, the Republic of the Philippines. Dr. Tse is a director of China Tiger Investment Fund Management Limited, a company incorporated in Hong Kong and is experienced in management of business enterprises. He is the Deputy President of China Universities Alumni (H.K.) Association and visiting Professor in Sun Yat-sen University in the PRC, and Tianjin Normal University in the PRC.

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### *Independent Non-Executive Directors (continued)*

**Mr. Ng Hung Sui Kenneth**, aged 40, has been a Director since April 2007. Mr. Ng obtained a Bachelor's Degree in Laws from the University of Hong Kong and is a solicitor practicing in Hong Kong since 1992. He was also admitted as a solicitor in England and Wales in 1993 and as a legal practitioner in Tasmania, Australia in 1994. He is a partner of Messrs. Yaddy Cheung & Co. Solicitors and a member of the Criminal Law & Procedure Committee of the Law Society of Hong Kong.

Mr. Ng currently also serves as an independent non-executive director of Samson Paper Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

**Mr. Lam Yiu Pang Albert**, aged 60, has been a Director since April 2007. Mr. Lam obtained a Bachelor's Degree in Economics from the University of Tasmania, Australia. He is an associate member of The Institute of Chartered Accountants in Australia, and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

**Mr. Chan Wai Dune**, aged 54, has been a Director since September 2004. He has over 26 years of experience in the finance sector, particularly in auditing and taxation areas. He is a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Chan is currently a member of CPPCC of Guangzhou Municipal Committee (廣州市政協委員會) and a member of the Executive Council of China Overseas Friendship Association (中華海外聯誼會). He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently the managing director of CCIF CPA Limited.

Mr. Chan currently also serves as an independent non-executive director of Chuang's China Investments Limited, Chuang's Consortium International Limited, Hualing Holdings Limited, Hunan Nonferrous Metals Corporation Limited, Jinheng Automotive Safety Technology Holdings Limited, Minmetals Resources Limited, Sam Woo Holdings Limited and Sino Union Petroleum & Chemical International Limited.

**Mr. Lau Wai**, aged 32, has been a Director since June 2003. He is the director of Point Best International Limited, which is engaged in the trading of luxury automobiles in the PRC. Mr. Lau, after graduating from Hong Kong University of Science and Technology with a bachelor honours degree in 1997, worked for Epson Hong Kong Ltd. and PCCW Limited.

**Mr. Tong Kwai Lai**, aged 47, has been a Director since November 2004. He has over 23 years of experience in directing and producing films and is a Hong Kong leading action director, producer, stunt choreographer and script writer. Mr. Tong directed a number of famous movies and TV series which included Police Story III: Super Cop, Rumble in the Bronx, First Strike and Martial Law for CBS. In Year 2006, the Asian Business Association and the "Media Achievement Award" from MANAA presented Mr. Tong with an "Excellence in Entertainment Leadership Award" for his contributions to the Asian American market.

# DIRECTORS' REPORT

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### *Senior Management*

#### *Qualified Accountant and Company Secretary*

**Ms. Nip Suk Ching**, aged 36, serving as the Qualified Accountant and Company Secretary of the Company. Ms. Nip has been the Financial Controller of the Group since September 2005 and appointed as the Company Secretary of the Company since April 2007. She holds a Degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University. Ms. Nip has about 15 years of experience in external auditing, internal auditing, taxation, finance and private equity investment. She is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and is a fellow member of The Association of Chartered Certified Accountants.

Various businesses and functions of the Company are respectively under the direct responsibilities of the Executive Directors who are regarded as senior management of the Company.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions", no contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SHARE OPTION SCHEME

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

Below is a summary of the principal terms of the Scheme:

- |                          |  |
|--------------------------|--|
| 1. Purpose of the Scheme | To enable the Group and any entity in which any member of the Group holds an equity interest (the "Invested Entity") to recruit and retain high caliber employees and attract human resources that are valuable to the Group or the Invested Entity, to recognise the significant contributions of the participants to the growth of the Group or the Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to the participants to continue to contribute to the long term success and prosperity of the Group or the Invested Entity |
|--------------------------|--|

# DIRECTORS' REPORT

## SHARE OPTION SCHEME (continued)

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|----|--|--|
| 2. | Participants of the Scheme   | Any participant (including any director or employees, any consultant, advisors or agent engaged by or any vendor, supplier of goods or services or customer of or to any member(s) of the Group or any Invested Entity) as the Board may in its absolute discretion select, having regard to each person's qualification, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group or any Invested Entity |
| 3. | Maximum number of shares   | The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed thirty (30) per cent of the share capital of the Company from time to time  |
| 4. | Total number of shares available for issue upon exercise of all options under the Scheme | 131,092,524 shares unless shareholders' approval has been obtained according to the requirements of the Listing Rules in force, being 10% of the issued share capital of the Company at the date of approval of the Scheme by the shareholders of the Company  |
| 5. | Maximum entitlement of each participant under the Scheme                                 | The total number of shares issued and to be issued upon exercise of the options granted to each participant under the Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed one (1) per cent of the issued share capital of the Company unless the same is approved by the shareholders of the Company in general meeting   |
| 6. | the period within which the shares must be taken up under an option                      | The option period shall be determined by the Board upon grant of each option, provided that it shall not exceed a period of ten (10) years commencing on the date on which the Board grants the options or such later date as the Board may decide   |

# DIRECTORS' REPORT

## SHARE OPTION SCHEME (continued)

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|-----|---|--|
| 7.  | the minimum period for which an option must be held before it can be exercised  | Not applicable   |
| 8.  | the amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid | The offer of an option made in accordance with the Scheme may be accepted within ten (10) business days from the date of offer and the amount payable on acceptable of the option is HK\$1.00  |
| 9.  | the basis of determining the subscription price   | <p>The subscription price shall be determined by the Board and shall not be less than the highest of:</p> <ul style="list-style-type: none"><li>(a) the official closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the date of offer of the relevant option;</li><li>(b) the average of the official closing price of the shares as stated in daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the date of offer of the relevant option; and</li><li>(c) the normal value of a share of the Company</li></ul> |
| 10. | the remaining life of the Scheme  | The Scheme was adopted on 27 September 2004 and shall be valid and effective for a period of ten (10) years commencing from the date of adoption   |

# DIRECTORS' REPORT

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

As at 31 March 2007, 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 its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

### (i) 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. Mr. Lau Kan Shan was a substantial shareholder of the Company as at 31 March 2007, and resigned as Director of the Company on 7 May 2007.
- ii. Such shares were held by Mexan Group Limited which was wholly owned by Mr. Lau Kan Shan. Accordingly, Mr. Lau Kan Shan was taken to have an interest in such shares by virtue of the SFO.

### (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 and other than the nominee share in a subsidiary held in trust for the Company by a Director, as at 31 March 2007, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# DIRECTORS' REPORT

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the section headed “Share Option Scheme”, at no time during the year was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report or the date of resignation as the director of the Company, whichever is earlier, the following Director was considered to have interests in the following businesses (“Competing Business”) which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as defined in the Listing Rules as set out below:

Name of Director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the Director in the entity
Lau Kan Shan (Note i)	Mexan International Limited	Property investment	As substantial shareholder and director
	上海茂盛企業發展(集團)有限公司	Property development and investment	As substantial shareholder and director
	上海滬青平高速公路建設發展有限公司	Toll road investment	As substantial shareholder and director
	紹興市甬金高速公路建設發展有限公司	Toll road investment	As substantial shareholder

Note:

- i. Mr. Lau Kan Shan resigned as Director on 7 May 2007.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

For the six directors appointed on 19 April 2007, during the period from 19 April 2007 up to the date of this report, the following Directors were considered to have interests in the following business ("Competing Business") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group after 12 April 2007 as defined in the Listing Rules as set out below:

Name of Director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the Director in the entity
Lun Chi Yim (Note i)	Winland Hotel Management Limited (Note ii)	Hotel management	As substantial shareholder and director
Lun Yiu Kay Edwin (Note i)	Winland Hotel Management Limited (Note ii)	Hotel management	As director

Note:

- i. Mr. Lun Chi Yim and Mr. Lun Yiu Kay Edwin were appointed as Directors on 19 April 2007.
- ii. The business of Winland Hotel Management Limited is to manage the operation of Mexan Harbour Hotel owned by the Group on and before 12 April 2007. Upon the completion of Group Reorganisation on 12 April 2007 and up to the date of this report, Winland Hotel Management Limited has no hotel management business.

The Director interested in the above businesses will, as and when required under the Company's Bye-laws, abstain from voting on any resolution of the Board in respect of any arrangement or proposal in which he or any of his associates has a material interest.

The Directors are of the view that the Group is capable of carrying on its business independently from the Competing Business. When making decisions on the business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

# DIRECTORS' REPORT

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

As at 31 March 2007, the following corporations and persons, other than the Directors whose interests are disclosed above, who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Long/short position	No. of shares of HK\$0.10 each 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
Winland Wealth (BVI) Limited (Note iii)	Long	964,548,303 (Note iii)	Beneficial owner	73.58
Lun Chi Yim (Note iv)	Long	964,548,303 (Note iv)	Interest of controlled corporation	73.58
Suen Chui Fan (Note v)	Long	964,548,303 (Note v)	Interest of spouse	73.58
Winland Stock (BVI) Limited (Note vi)	Long	964,548,303 (Note vi)	Interest of controlled corporation	73.58

Notes:

- i. Mr. Lau Kan Shan was deemed to be interested by virtue of the SFO in the 964,548,303 shares of the Company held by Mexan Group Limited which was wholly owned by him.
- ii. Ms. Xia He Na (formerly known as Ms. Ha Ming Kuen), the spouse of Mr. Lau Kan Shan, was 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. On 2 January 2007, Mexan Group Limited entered into the Share Sale Agreement (as amended and supplemented by a supplemental agreement dated 6 February 2007) with Winland Wealth (BVI) Limited pursuant to which and subject to approval by the Independent Shareholders (the Shareholders other than Mexan Group Limited, Winland Wealth (BVI) Limited, their respective associates and parties acting in concert with each of Mexan Group Limited and Winland Wealth (BVI) Limited (including the directors of the Company)), Winland Wealth (BVI) Limited agreed to acquire 964,548,303 Shares from Mexan Group Limited.
- iv. Mr. Lun Chi Yim is deemed to be interested by virtue of the SFO in the 964,548,303 shares of the Company held by Winland Wealth (BVI) Limited which is wholly owned by him.
- v. Ms. Suen Chui Fan, the spouse of Mr. Lun Chi Yim, is deemed to be interested in Mr. Lun's shares which represented the same parcel of shares of the Company as held by Winland Wealth (BVI) Limited.
- vi. Winland Stock (BVI) Limited has declared an interest in 964,548,303 shares by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March 2007, which also constitute connected and continuing connected transactions under the Listing Rules, are disclosed in note 34 to the financial statements.

The other connected and continuing connected transactions during the year ended 31 March 2007, which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules are as follows:

1. 寧波北侖港高速公路有限公司(Ningbo Beilun Port Expressway Company Limited) (“Beilun Company”) is a wholly-owned subsidiary of the Company while 上海茂盛企業發展(集團)有限公司(Shanghai Mexan Enterprise Development (Group) Company Limited) (“Shanghai Mexan”) is beneficially owned as to approximately 74.7% by Mr. Lau Kan Shan. On 23 December 2005, Beilun Company and Shanghai Mexan as manager entered into a management agreement (as amended). Accordingly, the transactions contemplated under the management agreement (as amended) in respect of the management and operation of the Ningbo Beilun Port Expressway constituted continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the management agreement (as amended) have been set out in the Company’s announcement dated 31 August 2005 and the Company’s circular dated 14 November 2005. In a Special General Meeting held on 30 November 2005, the management agreement (as amended) and transactions contemplated thereunder including (i) the management of the Ningbo Beilun Port Expressway; (ii) the reduction of the term of the management agreement from 24 years to 3 years; and (iii) the revised repayment terms in respect of the prepaid management fees (i.e. the management fee of RMB300 million for the original 24-year period which has been prepaid to Shanghai Mexan (the “Prepayment”) will be reduced to RMB37.5 million as a result of the term of the management agreement being reduced to 3 years and Shanghai Mexan will repay RMB262.5 million to Beilun Company upon the expiry of the management agreement, which Prepayment would also constitute a financial assistance by the Group to Shanghai Mexan under the Listing Rules and be a connected transaction of the Company, upon completion of the acquisition of 55.1% equity interest in Beilun Company were duly approved by independent shareholders by way of poll. Results of the Special General Meeting were published in the Company’s announcement dated 30 November 2005. As at the balance sheet date, the balance of the Prepayment amounted to HK\$268,605,000 (equivalent to RMB265,630,000).

The Independent Non-Executive Directors of the Company have reviewed and confirmed that the continuing connected transactions for the year ended 31 March 2007 arising from the management agreement (as amended) had been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

# DIRECTORS' REPORT

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

The auditor of the Company has reviewed the continuing connected transactions for the year ended 31 March 2007 arising from the management agreement (as amended) and confirmed that the transaction (i) had been approved by the board of directors of the Company; (ii) had been entered into in accordance with the above management agreement (as amended) governing the transactions; and (iii) did not exceed the annual cap RMB12.5 million as disclosed in the announcement of the Company dated 31 August 2005.

2. Mexan Resources Limited (“MRL”) is an direct wholly-owned subsidiary of the Company during the year. Mexan International Limited (“MIL”) is a company beneficially owned as to approximately 95% by Mr. Lau Kan Shan and his associates. MRL as tenant and MIL as landlord entered into a tenancy agreement (the “Tenancy Agreement”) on 30 September 2003 of which details are set out below:

Property: certain portions of 16th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, certain furniture and fixtures and three car parks

Period: 1 October 2003 to 30 September 2006

Rental: a monthly rent of HK\$160,000 (inclusive of management fee, rates and government rent and all charges for gas, water and electricity)

As stated in the Company’s announcement dated 2 October 2003, the Company was granted conditional waiver by the Stock Exchange from strict compliance with the disclosure requirement of the Listing Rules in respect of the continuing connected transactions arising from the Tenancy Agreement for a period up to 30 September 2006. The cap amount of the transaction is the higher of HK\$3,000,000 or 0.1% of the net tangible assets of the Company for each financial year.

MRL and MIL has renewed the Tenancy Agreement (the “Renewed Tenancy Agreement”) on 18 September 2006 of which details are set out below:

Property: certain portions of 16th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, certain furniture and fixtures and three car parks

Period: 1 October 2006 to 30 September 2009

Rental: a monthly rent of HK\$160,000 (inclusive of management fee, rates and government rent and all charges for gas, water and electricity)

Annual  
consideration: HK\$1,920,000

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(continued)

As stated in the Company's announcement dated 20 September 2006, the Renewed Tenancy Agreement between MRL and MIL constitutes a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules. As each of the applicable ratios on an annual basis is less than 2.5%, the transaction is only subject to reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under the Listing Rules. The aggregate annual rental for the Renewed Tenancy Agreement for each of the three years ended 31 March 2009 will be approximately HK\$1,920,000.

The Independent Non-Executive Directors of the Company have reviewed the transaction for the year ended 31 March 2007 arising from the Tenancy Agreement and the Renewed Tenancy Agreement and confirmed that the transaction was entered into (a) in the ordinary and usual course of business; (b) on normal commercial terms; and (c) in accordance with the terms of the Tenancy Agreement and the Renewed Tenancy Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has reviewed the continuing connected transaction for the year ended 31 March 2007 arising from the Tenancy Agreement and the Renewed Tenancy Agreement and confirmed that (i) the transaction had been approved by the board of directors of the Company; (ii) the transaction was entered into in accordance with the terms of the Tenancy Agreement and the Renewed Tenancy Agreement; and (iii) within the annual aggregate value pursuant to the Tenancy Agreement and the Renewed Tenancy Agreement and did not exceed the relevant annual caps as disclosed in previous announcements.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## REVIEW BY AUDIT COMMITTEE

At the date of this report, 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 has reviewed with the Company's auditor, Horwath Hong Kong CPA Limited ("Horwath"), the audited financial statements for the year ended 31 March 2007 and has also discussed auditing, internal control and financial reporting matters of the Group.



# DIRECTORS' REPORT

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

## AUDITOR

The financial statements have been audited by Horwath who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

**Tse On Kin**

*Executive Director*

Hong Kong, 20 July 2007