

The Board of Mandarin Resources Corporation Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2000 together with the comparative figures for the corresponding period in 1999.

## **BUSINESS REVIEW AND PROSPECTS**

For the six months ended 31st December 2000, turnover for the Group amounted to approximately HK\$72.0 million (1999: HK\$63.0 million), and loss attributable to shareholders amounted to approximately HK\$3.3 million (1999: profit of HK\$0.9 million).

The loss of the Group was mainly due to the combined effects of the provision for the listed securities which amounted to approximately HK\$11.9 million and the loss for the disposal of the unprofitable manufacture and trading of building materials business in the PRC, which amounted to approximately HK\$2.3 million. Other operations of the Group were profitable. Profit before taxation from manufacture and trading of electrical equipment and provision of electrical engineering and contracting services amounted to approximately HK\$10.0 million. Moreover, there was a gain for the disposal of a Group’s property situated in Hong Kong which amounted to approximately HK\$9.4 million, of which HK\$7.5 million was attributable to the Group.

Following the disposal of the loss-making business in the PRC, the manufacture and trading of electrical equipment, the provision of electrical engineering and contracting services and the trading of listed securities become the core business of the Group.

In order to strengthen the Group’s profitable core business, the Board of Directors sets the mission to expand the Group’s business into the field of telecommunication, electronic and other practical technologies.

As a first move in this direction, the Company has taken steps to acquire 60% equity interest in M-Star Limited, a telecommunication system integrator and global positioning system based system and services provider, providing a wide range of all-round telecommunication services including telecommunication system and network design, project management, telecommunication license application, system integration etc., and develops and provides special telecommunication systems. The details were set out in the circular dated 19th March 2001 issued by the Company to its shareholders.

Subject to the fulfillment of the conditions precedent to the acquisition, the aggregate consideration for the acquisition is HK\$16 million which will be settled as to HK\$3 million by cash and HK\$13 million by the allotment and issue of 16,250,000 new shares of the Company, the Directors consider that the acquisition has no material financial impact to the Group's cash flow.

As at 31st December 2000, the Group is cash sufficient and has no other material capital expenditure commitments or financial obligations, save as disclosed in the notes to the condensed financial statements under the headings of "Commitments" and "Contingent Liabilities". Exchange risk of the Group is minimal as the major assets of the Group are represented by cash denominated in Hong Kong currency which is officially pegged to the United States currency.

The Group has a very healthy capital structure with overall gearing ratio of 0.2%. Overall gearing ratio is defined as the total borrowings over the net assets of the Group.

As at 31st December 2000, there were no other material assets pledged to secure the Group's banking facilities, save as disclosed in the notes to the condensed financial statements under the headings of "Pledge of Assets".

As at 31st December 2000, the Group employed 83 employees at market remunerations. Employees are rewarded with bonuses according to the assessment of individual performance.

There is no change in the share capital of the Company during the period under review, save as the disclosure made under the paragraph headed "Subdivision of Shares" in this report.

The Board had reviewed the position of Hebei Dezhi Industry Co., Ltd. and Maxview Enterprises Limited and had appointed Mr. So Yiu Cho James, CBE, JP and Mr. Yau Tak Fu to take all appropriate measures to resolve the issues, hopefully before the final results.

The Group is actively seeking for investment opportunities, especially in the practical technology fields, so as to capitalize on new income sources and to attain business growth.