

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
MANDARIN RESOURCES CORPORATION LIMITED

德智發展有限公司

(incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 14.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"). However, the Listing Rules permit departure from SSAP 25 in that comparative figures are not required for the first cash flow statement to be included in the interim financial report relating to accounting periods ended on or after July 1, 2000. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statements of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants ("SAS 700"), except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of

assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

The scope of our review was limited as follow:

1. As disclosed in note 9 to the interim financial report, subsidiary not consolidated relates to the Group's 89% interest in Hebei Dezhi Industry Co., Ltd. ("Hebei"), in respect of which the Group has been unable to exercise effective control since July 1, 1998 and which is stated in the consolidated balance sheet at the Group's attributable share of net assets amounting to HK\$17,172,219 as at that date. However, in the absence of any current financial information in respect of Hebei, the directors have been unable to determine whether there has been any diminution in value of Hebei since July 1, 1998 in respect of which further provision would be required in this interim financial report. At the same time, we were unable to obtain confirmation or other reliable evidence to satisfy ourselves as to whether amount due to Hebei of HK\$26,275,476 as at December 31, 2000 is fairly stated.
2. As explained in note 10 to the condensed financial statements, investment in securities included as non-current assets include Maxview Enterprises Limited ("Maxview") in respect of which the Group has been unable to exercise any significant influence since December 31, 1998 and which is stated in the consolidated balance sheet at the Group's share of net assets amounting to HK\$5,998,534 as at that date. However, in the absence of any current financial information in respect of Maxview, the directors have been unable to determine whether there has been any diminution in value of Maxview since December 31, 1998 in respect of which further provision would be required in this interim financial report. At the same time, we were unable to obtain confirmation or other reliable evidence to satisfy ourselves as to whether amount due to Maxview of HK\$4,015,875 as at December 31, 2000 is fairly stated.

Modified review conclusion arising from limitations of review scope

On the basis of our review which does not constitute an audit, with the exception of the possible adjustments that might have been determined to be necessary had the above limitations not existed, we are not aware of any material modifications that should be made to the interim financial report for the six months ended December 31, 2000.

Without further modifying our review conclusion, we draw to your attention that the comparative income statement for the six months ended December 31, 1999 disclosed in the interim financial report has not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, March 28, 2001