



**SECURITIES AND
FUTURES COMMISSION**
證券及期貨事務監察委員會

Announcement

The Securities and Futures Commission ("SFC"), Mr. Chim Pui Chung ("Mr. Chim") and Mandarin Resources Corporation Limited ("Mandarin Resources") announce the settlement of Hong Kong High Court Companies Winding Up Proceedings No. 348 of 1996 ("the proceedings").

The proceedings were commenced in June 1996. The SFC sought the following key Court Orders:

- (i) Mr. Chim pay compensation to the minority shareholders of Mandarin Resources in respect of various matters complained of by the SFC in respect of the management of Mandarin Resources between May 1991 and May 1993;
- (ii) alternatively Mandarin Resources be wound up; and
- (iii) Mr. Chim be debarred from acting as a director of Mandarin Resources.

Early in the proceedings, in July/August 1996, provisional liquidators were appointed over Mandarin Resources.

The trial of the proceedings took place in mid-1999 before the Honourable Mr. Justice Burrell. The judge gave judgment in November 1999 in which he found in favour of the SFC on all issues which were pursued by the SFC at trial. The judge found that Mr. Chim had engaged in conduct which was prejudicial to the interests of the minority shareholders of Mandarin Resources. He found that this conduct was sufficient to order the winding up, if necessary, of Mandarin Resources. As a preferred remedy for the minority shareholders (instead of the liquidation of Mandarin Resources) the judge ordered that Mr. Chim should pay compensation to the minority shareholders of Mandarin Resources by purchasing their shares at a "fair value" to be assessed. The judge also ordered that Mr. Chim be declared unfit to hold a position of management in Mandarin Resources and that he be disqualified from acting as a director of Mandarin Resources.

Mr. Chim appealed against that judgment and his appeal was listed for hearing in October 2000. At the end of February 2000 submissions were made by the SFC and Mr Chim to the judge on the correct "fair value" to place on the shares in Mandarin Resources pending the implementation of a buy out order by Mr Chim. Judgment on this issue was reserved (initially to 1st April 2000). On 28th March the SFC and Mr Chim signed a preliminary settlement agreement to settle the proceedings. At the request of the parties judgment has now been dispensed with in favour of a wider and structured settlement which the judge has approved and the SFC believes to be in the interests of the minority shareholders of Mandarin Resources and the investing public generally.

The key terms of the settlement are as follows:

1. Mr. Chim will make a general offer to all of the minority shareholders of Mandarin Resources who were registered as shareholders of the company as at the time of presentation of the petition, at a price of HK\$30 per share;
2. the offer will be made by Tai Fook Securities Company Limited ("Tai Fook") on Mr. Chim's behalf and Tai Fook will guarantee Mr. Chim's obligations in respect only of the offer;
3. the offer will be held open for acceptance for 3 months;
4. Mr. Chim will pay to the SFC HK\$30 million in respect of the SFC's legal costs of the proceedings;
5. Mr. Chim undertakes not to act as a director of any listed company in Hong Kong for a period of 3 years;
6. Mr. Chim will withdraw his appeal, so that the judgment given on 19th November 1999 and the findings made therein by the judge will stand and will remain on the record;
7. the provisional liquidators are discharged (their costs being met from the assets of Mandarin Resources), as is a Mareva injunction which the SFC obtained against Mr. Chim on 19th November 1999;
8. the winding-up proceedings against Mandarin Resources will be permanently stayed subject only to Mr. Chim complying with the settlement agreement;
9. the settlement will be in full and final settlement of all claims that the SFC has against Mr. Chim; and
10. Mr. Chim will divest himself of any material interest in Mandarin Resources.

Mr. Chim intends to sell his majority shareholding in Mandarin Resources to an independent third party. The lifting of the suspension of trading on the Stock Exchange of Hong Kong Limited in shares of Mandarin Resources will be sought. This will be dealt with in the usual way by the Stock Exchange and the SFC. The SFC has agreed not to object to the lifting of the suspension of trading if there is full compliance with all relevant rules and regulations and Mr. Chim has divested himself of any material interest in Mandarin Resources.

Tai Fook's offer on behalf of Mr. Chim will be set out in an offer document to be despatched to shareholders initially expected to be in mid to late August 2000.

This announcement is published in accordance with the terms of the settlement agreement. An announcement is expected to be made on or before 1st August 2000 by or on behalf of Mr. Chim concerning the said general offer for the purpose of the Takeovers Code.