

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of Massive Resources International Corporation Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 15 to financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 30 June 2003 is set out in Note 4 to financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers accounted for approximately 31% (2002: 51%) of the Group's total turnover and the five largest suppliers accounted for approximately 92% (2002: 71%) of the Group's total purchases.

The largest customer accounted for approximately 16% (2002: 17%) of the Group's total turnover and the largest supplier accounted for approximately 32% (2002: 29%) of the Group's total purchases.

None of the directors, their associates or any shareholder (who to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's five largest customers and suppliers.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2003 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 17 to 63.

The directors do not recommend the payment of a final dividend in respect of the year ended 30 June 2003 (2002: Nil).

RESERVES

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

As at 30 June 2003, the Company did not have available reserves for distribution to shareholders (2002: HK\$331,000) in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance.

REPORT OF THE DIRECTORS (Continued)

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out below:

Results

	Year ended 30 June				
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Turnover	190,547	152,661	198,024	103,991	88,864
Operating profit/(loss) from ordinary activities	(4,064)	7,009	(42,769)	(48,989)	(44,466)
Share of results of associates	(6,335)	—	—	—	—
Profit/(loss) from ordinary activities before taxation	(10,399)	7,009	(42,769)	(48,989)	(44,466)
Taxation charge for the year	(2,714)	(1,295)	(1,086)	(417)	(759)
Profit/(loss) before minority interests	(13,113)	5,714	(43,855)	(49,406)	(45,225)
Minority interests	(3,826)	(1,763)	(3,134)	(306)	(54)
Profit/(loss) for the year	(16,939)	3,951	(46,989)	(49,712)	(45,279)

Assets and Liabilities

	At 30 June				
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Total assets	188,846	188,967	156,149	140,073	116,660
Total liabilities	(68,356)	(72,763)	(75,047)	(44,167)	(47,979)
Minority interests	(17,321)	(9,084)	(6,646)	(7,850)	(7,904)
Shareholders' funds	103,169	107,120	74,456	88,056	60,777

TANGIBLE FIXED ASSETS

Details of the movements in tangible fixed assets of the Group during the year are set out in Note 12 to financial statements.

SHARE CAPITAL

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

REPORT OF THE DIRECTORS (Continued)

BORROWINGS AND INTEREST CAPITALISED

All borrowings which are repayable within one year or on demand are classified as current liabilities.

No interest was capitalised by the Group during the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Chen Chak Man (*Chairman*)

Mr Lau Kwok Hung

Mr Lau Kwok Keung (Appointed on 13 May 2003)

Ms Chik Siu Yin, Urica (Appointed on 13 May 2003)

Mr Chan Tak Chung (Resigned on 25 June 2003)

Miss Chen Olivia Lee Wah (Appointed on 6 January 2003 and resigned on 25 June 2003)

Mr Chan Sheung Wai (Resigned on 6 January 2003)

Independent non-executive directors:

Mr See Lee Seng, Reason

Mr Chow Pui Fung (Appointed on 13 May 2003)

Ms Wan Choi Ha (Resigned on 30 June 2003)

In accordance with Articles 79 and 80 of the Company's Articles of Association, Mr Lau Kwok Keung, and Mr See Lee Seng, Reason shall retire by rotation and being eligible, offer themselves for re-election.

The terms of office of non-executive directors are subject to retirement by rotation in accordance with the above Articles.

DIRECTORS' INTERESTS IN SECURITIES

(1) Shares

Other than certain nominee shares in the subsidiaries held by directors in trust for the Company, as at 30 June 2003, the interests of the directors in securities of the Company or any of its associated corporations as defined in Section 352 of the Securities and Future Ordinance (the "SFO") were as follows:

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
Mr Chen Chak Man	Corporate	507,300,000	22%

These shares were held by 369 Holdings Limited which is wholly and beneficially held by Mr Chen Chak Man.

Save as disclosed above, none of the Company's directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO Ordinance.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(2) Options

The Company operates a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions.

As at 30 June 2003, none of the directors of the Company had any interests in options to subscribe for shares granted under the Scheme.

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

The share option scheme adopted by the Company on 30 November 2000 enables the directors and employees of the Group to subscribe for shares in the Company, details of which are set out in Note 27 to the financial statements. The share option scheme was adopted prior to the new rules on share option schemes under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") coming into operation. The Company may only grant further options under the share option scheme if the options are granted in accordance with the requirement of the new rules of Chapter 17 of the Listing Rules.

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's subsidiaries and associates as at 30 June 2003 are set out in Notes 15 and 17 to financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

MANAGEMENT CONTRACTS

No contracts, other than contract of service with any person engaged in the full time employment of the Company, 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.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares as at 30 June 2003 amounting to 5% or more of the ordinary shares in issue:

Name of shareholders	No. of ordinary shares held	Percentage of shares held
369 Holdings Limited	507,300,000	22%

Details of the above interests are also disclosed above under directors' interests in securities. Save as disclosed above, no person had registered an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of the SFO Ordinance as at 30 June 2003.

CONNECTED/RELATED PARTY TRANSACTIONS

Great Well Global Limited, a wholly-owned subsidiary of the Company, provides property management services to the Company at a fee of HK\$250,000 per month. For the year ended 30 June 2003, the aggregate payment made to the subsidiary for the above services amounted to HK\$3,000,000 (2002: HK\$3,000,000).

Details of other related party transactions of the Group are set out in Note 34 to financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr Chen Chak Man, aged 51, was appointed as Chairman of the Board and an Executive Director of on 31 July 2001. He holds a Diploma of Technology from the British Columbia Institute of Technology, Canada. He was accredited as a member of Canadian Credit Institute, Canada, and as Associate of the Institute of Canadian Bankers.

Mr Lau Kwok Hung, aged 57, was appointed an Executive Director on 11 October 2001. Mr Lau graduated from the Department of Accountancy, Hong Kong Polytechnic (now Hong Kong Polytechnic University). Formerly, he was a fellow member of the Chartered Association of Certified Accountants and an associate member of the Chartered Institute of Management Accountants. He is now a fellow member of the Hong Kong Society of Accountants. He has over 25 years of experience in accounting and finance, auditing, taxation, company secretarial practice and corporate finance. He is also the Company Secretary of the Company.

Mr Lau Kwok Keung, aged 55, was appointed an Executive Director of the Company on 13 May 2003. Mr Lau graduated from the Faculty of Social Sciences, University of Hong Kong majoring in Economics, Accounting and Business Management. He has over 25 years of experience in manufacturing, trading, property development and securities investments. He is the younger brother of Mr Lau Kwok Hung.

REPORT OF THE DIRECTORS (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Ms Chik Siu Yin, Urica, aged 33, was appointed an Executive Director of the Company on 13 May 2003. Ms Chik is responsible for overseeing the accounting and finance function of the company. She has over 10 years of experience in accounting and company secretarial field. Before joining the Company in September 2001, she has worked for a public listed company for six years.

Mr See Lee Seng, Reason, aged 44, was appointed an Independent Non-executive Director of the Company on 31 July 2001. Mr See has over 20 years of experience in fund and portfolio management, securities dealing and investment advisory services on bullion, forex, units trusts, equity and commodity futures markets. He is an investment adviser and commodity trading adviser registered with the Securities and Futures Commission ("SFC") under the Securities Ordinance. He has held various executive positions of the Hong Kong Securities Professionals Association since 1996 and currently is a committee member. In 1994, Mr See founded Keen Shing Investment Consultants Limited, an investment adviser and commodity trading adviser registered with the SFC and has been its Managing Director responsible for overall management since incorporation. Mr See is the Managing Director of Golden Honour Assets Management Limited, an investment adviser registered with the SFC. Mr See is also an Executive Director of Golden 21 Investment Holdings Limited.

Mr Chow Pui Fung, aged 63, was appointed an Independent Non-executive Director of the Company on 13 May 2003. Mr Chow is a merchant and has been in the business of securities investments, shipping and import & export for years.

RETIREMENT SCHEME

Details of the retirement scheme of the Group and the employer's pension costs charged to the consolidated income statement for the year are set out in Note 32 to financial statements. In the opinion of the directors, the Group had no significant obligations at 30 June 2003 for long service payments to its employees pursuant to the requirements under the Employment Ordinance.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee, comprising two Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's financial statements for the year ended 30 June 2003.

REPORT OF THE DIRECTORS (Continued)

AUDITORS

Messrs HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Messrs HLB Hodgson Impey Cheng as auditors of the Company.

On Behalf of the Board

Lau Kwok Hung

Executive Director

Hong Kong, 22 September 2003