

# MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the “Directors”) of Massive Resources International Corporation Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2003.

## General

The principal activity of the Company continues to be investment holding. The principal activities of the Company’s subsidiaries include: the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the trading of listed securities, property development and entertainment business.

## Business and Investment Review

For the six months ended 31 December 2003 the Group recorded a net loss of about HK\$18.6 million. The bulk of this loss mainly came from the decrease in turnover and thus the profit derived therefrom and the increase in the provision of HK\$6.9 million for the diminution in value of the investment in a joint venture and provision of HK\$9.3 million for the diminution in value of investments in securities. As a result of the unexpected downside of the Group’s business, the management is attempting to source other business opportunities in Hong Kong and the People’s Republic of China.

### *Manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services*

The manufacture and trading of electrical equipment and the provision of electrical engineering and contracting services continued to be profitable, although turnover had decreased compared with the corresponding period last year as a result of difficult trading conditions, and profits (HK\$0.1 million) were lower than for the corresponding period in 2002 (HK\$0.3 million).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### *Manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services (Continued)*

Hong Kong is under the recovery from the effect of Severe Acute Respiratory Syndrome. However, difficult economic conditions still continue to affect Hong Kong and the business of the Group. Accordingly, management is technically upgrading its products, is applying stringent cost control measures in respect of its overall operations and is seeking to enter new markets by introducing new products. Nevertheless, significant improvements to Group profits are not anticipated in the short term.

### *Trading of investments in listed securities*

As a result of the unpredictable market conditions, the Group did not engage in the trading of investments in listed securities during the period under review.

### *Entertainment business*

During the period ended 31 December 2003, the entertainment industry had generally declined. As a result, the Group temporarily suspended its development in the entertainment business.

## **Interim Dividend**

The Directors has resolved not to declare any interim dividend for the six months ended 31 December 2003 (2002: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Liquidity and Financial Resources

The Group had retained cash and bank balances of approximately HK\$17.5 million as at 31 December 2003. As most of the retained cash was placed in Hong Kong Dollar short-term deposits with banks in Hong Kong, exposure to exchange fluctuations is considered minimal.

As at 31 December 2003, the Group had net current assets of approximately HK\$43.2 million. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2003, was 1.09.

### Employees

The Group employs approximately 72 staff in Hong Kong. Total staff costs for the interim period under review amounted to approximately HK\$4.3 million. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

### Charges on the Group's Assets

As at 31 December 2003, the Group's land and buildings with net book value of HK\$5.8 million were pledged to a bank for banking facilities which were subject to guarantees given by a subsidiary of the Group. A subsidiary's bank deposits of HK\$3 million had been pledged to secure general banking facilities granted to the subsidiary.

### Prospects

The Group intends to diversify the Group's business into a range of potentially profitable areas. Continuous efforts have been extended to source some other business as our income center, such as the intended acquisition in the field of Chinese medicine and health products. In view of the recent condition of property market which is expected to become prosperous in the coming year, it is believed that the Group's business in the manufacture and trading of electrical equipment and the provision of electrical engineering and contracting services will be enhanced.