

Massive Resources International Corporation Limited

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 2001.

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, securities trading, property investment and development.

Changes in Directors and Management

On 4 June 2001, 369 Holdings Limited purchased 300,000,000 shares in the Company, representing approximately 33.32% of the then total issued share capital of the Company and became the Company's single largest shareholder. On 12 July 2001, First Securities (HK) Limited, on behalf of 369 Productions Limited, made voluntary cash offers to acquire all of the shares in the entire issued share capital of the Company not already owned by 369 Holdings Limited and/or parties acting in concert with it and all the outstanding share options in respect of the shares of the Company (the "Offers"). The following changes to the directors and management of the Company occurred as a result of the Offers:

- (a) on 31 July 2001, after dispatch of the offer document, Mr Chen Chak Man, Mr Ip Yun Kit, Mr Chan Kin Sang, Mr Ng Kai Shing, Mr Clive William Baker Oxley, Mr Koh Tat Lee, and Mr See Lee Seng, Reason, were appointed directors of the Company;
- (b) on 29 August 2001, upon the close of the Offers, Mr So Yiu Cho, James, Mr Yau Tak Fu, Mr Chan Sze Tsung, Mr Lee Kwok Leung, Mr Tsang Wai Kwok and Mr Ho Kai Wai, Francis, resigned as directors;
- (c) on 11 October 2001, Mr Yeung Kang Lam (who, through Interactive Spirit Limited, was formerly the controlling shareholder of the Company before 4 June 2001) and Ms Yau Wai Fan resigned as directors of the Company; and

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(d) on 11 October 2001, Mr Lau Kwok Hung was appointed a director of the Company.

Change of the Company's Name

On 30 January 2002, the Company changed its name from Mandarin Resources Corporation Limited (德智發展有限公司) to Massive Resources International Corporation Limited (駿雷國際有限公司).

Business and Investment Review

For the six months ended 31 December 2001, the Company recorded a net loss of about HK\$12.3 million. The bulk of this loss came mainly from the decrease in turnover and thus the profit derived therefrom and the increase in the administrative costs of the Company including the incurring of extensive legal, professional and other fees and expenses incidental to the offers as extended by 369 Productions Limited and announced on 12 July 2001 and from the payments made resulting from the purported acquisition of 60% of the total issued share capital of M-Star Limited by the Company's wholly-owned subsidiary, Goalstar Holdings Limited.

Independent of these fees and expenses, the Company had entered into a binding three-year contract at a substantially increased rental in respect of its office premises in January 2001 and moved into and occupied the same in May 2001 after renovation works to the office premises had been completed.

For the first half of the period under review, the Company continued to suffer from severe cash flow problems. These were largely the result of the payments made resulting from the purported acquisition of M-Star Limited and from the relocation of its office premises as aforesaid.

In order to enable the Company to defray the fees, expenses, the remaining balance of the renovation expenses, arrears in rental of its office premises, salary of officers of the Company and its staff members, and severance payments payable to office staff members and other outstanding sundry indebtedness, and to enable the Company to diversify into businesses which have profit-generating potential, the present management of the Company, which took control on 29 August 2001, on four occasions, during the period reviewed and subsequently, raised a total of around HK\$61.8 million by means of share placements with these fund raising exercises incurring about HK\$2.5 million in commissions, professional fees, levies etc.

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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 at HK\$1.2 million were substantially lower than for the corresponding period in 2000 (HK\$14.2 million, which included a one-off capital gain of about HK\$9.4 million on disposal of the Group's factory premises).

Difficult economic conditions continued to affect Asia and Hong Kong in particular, and they are likely to do so in the coming year. 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. However, significant improvements to Group profits are not anticipated in the short term.

Trading of investments in listed securities

As a result of the Company's short term cash flow problems, and unfavourable market conditions, the Group did not engage in the trading of investments in listed securities during the period under review.

Interim Dividend

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 December 2001 (2000: nil).

Liquidity, Financial Resources and Funding

The Group had retained cash of approximately HK\$11.4 million as at 31 December 2001. 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. It is intended that future investments will be funded mainly through the Company's retained cash resources.

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As at 31 December 2001, the Company had net current assets of approximately HK\$65 million and outstanding obligations under a hire purchase contract amounting to approximately HK\$0.3 million which has now been fully defrayed. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2001, was 0.73.

Employees

The Group employs approximately 85 staff in Hong Kong. Total staff costs for the interim period under review amounted to approximately HK\$3.4 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 Company's Assets

As at 31 December 2001, certain subsidiaries within the Group had pledged bank deposits of approximately HK\$3.5 million to secure general banking facilities granted to these subsidiaries of the Group.

Prospects

The Group intends to diversify the Group's business into a range of potentially profitable areas. The Group has successfully ventured into a new business field. On 8 January 2002, the Group entered into an agreement with Century Hero Film Investment Company Limited ("Century Hero"), a company incorporated in the People's Republic of China ("PRC") and which is the film and entertainment arm of CITIC Cultural & Sports Industry Company Limited ("CITIC Cultural"), in respect of the appointment of a wholly-owned subsidiary of the Company, as the sole and exclusive agent of Century Hero in respect of the distribution of certain cultural, media, film, entertainment and/or related products in Hong Kong and all other territories outside the PRC.