

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 referred to as the “Group”) for the year ended 30 June 2002.

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).

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 activity and geographical area of operations for the year ended 30 June 2002 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 51% (2001 — 42%) of the Group’s total turnover and the five largest suppliers accounted for approximately 71% (2001 — 32%) of the Group’s total purchases.

The largest customer accounted for approximately 17% (2001 — 15%) of the Group’s total turnover and the largest supplier accounted for approximately 29% (2001 — 21%) 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 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 63.

The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2002 (2001 — 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 2002, the Company’s reserves available for distribution to shareholders were HK\$331,000 (2001 — HK\$45,257,000) in accordance with the provisions of section 79B of the Companies Ordinance.



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				
	1998	1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	364,393	190,547	152,661	198,024	103,991
Operating profit/(loss) from ordinary activities	(5,702)	(4,064)	7,009	(42,769)	(48,989)
Share of results of associates	(12,942)	(6,335)	—	—	—
Profit/(loss) from ordinary activities before taxation	(18,644)	(10,399)	7,009	(42,769)	(48,989)
Taxation charge for the year	(4,528)	(2,714)	(1,295)	(1,086)	(417)
Profit/(loss) before minority interests	(23,172)	(13,113)	5,714	(43,855)	(49,406)
Minority interests	(4,374)	(3,826)	(1,763)	(3,134)	(306)
Profit/(loss) for the year	(27,546)	(16,939)	3,951	(46,989)	(49,712)

Assets and Liabilities

	At 30 June				
	1998	1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	207,080	188,846	188,967	156,149	140,073
Total liabilities	(70,889)	(68,356)	(72,763)	(75,047)	(44,167)
Minority interests	(16,082)	(17,321)	(9,084)	(6,646)	(7,850)
Shareholders' funds	120,109	103,169	107,120	74,456	88,056

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.

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.

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



DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Chen Chak Man (<i>Chairman</i>)	(Appointed on 31 July 2001)
Mr Lau Kwok Hung	(Appointed on 11 October 2001)
Mr Chan Sheung Wai	(Appointed on 1 March 2002)
Mr Chan Tak Chung	(Appointed on 1 March 2002)
Mr Clive William Baker Oxley, OBE, ED	(Appointed on 11 October 2001 and resigned on 31 March 2002) (*Note)
Mr Chan Kin Sang	(Appointed on 11 October 2001 and resigned on 31 March 2002) (*Note)
Mr Ip Yun Kit	(Appointed on 31 July 2001 and resigned on 30 November 2001)
Mr Yeung Kang Lam	(Resigned on 11 October 2001)
Ms Yau Wai Fan	(Resigned on 11 October 2001)
Mr So Yiu Cho, James, CBE, JP	(Resigned on 29 August 2001)
Mr Yau Tak Fu	(Resigned on 29 August 2001)
Mr Chan Sze Tsung	(Resigned on 29 August 2001)
Mr Tsang Wai Kwok	(Resigned on 29 August 2001)

Non-executive directors:

Mr Shi Xue	(Appointed on 1 March 2002 and resigned on 31 May 2002)
Mr Ng Kai Shing	(Appointed on 31 July 2001 and resigned on 30 November 2001)
Mr Lee Kwok Leung	(Resigned on 29 August 2001)

Independent non-executive directors:

Mr See Lee Seng, Reason	(Appointed on 31 July 2001)
Ms Wan Choi Ha	(Appointed on 1 March 2002)
Mr Fung Pui Cheung, Eugene	(Appointed on 3 December 2001 and resigned on 28 February 2002)
Mr Koh Tat Lee	(Appointed on 31 July 2001 and resigned on 30 November 2001)
Mr Ho Kai Wa, Francis	(Resigned on 29 August 2001)

Note: Mr Clive William Baker Oxley and Mr Chan Kin Sang, who were appointed independent non-executive director and non-executive director of the Company respectively on 31 July 2001, were appointed executive directors of the Company with effect from 11 October 2001.

In accordance with Articles 79 and 80 of the Company's Articles of Association, Mr Chan Sheung Wai and Mr Chan Tak Chung 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 Article.

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 2002, the interests of the directors in securities of the Company or any of its associated corporations as defined in Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

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

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 SDI Ordinance.

(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.

During the year, certain directors resigned as directors of the Company. All the options granted in prior year to these directors had not been exercised and accordingly had lapsed by effluxion of time according to the terms as stipulated in the Scheme. Details of the lapsed options are as follows:

Name of directors	No. of options lapsed	Date granted	Exercise price per share
Mr Yeung Kang Lam	4,000,000	20 April 2001	HK\$0.75
Mr So Yiu Cho, James, CBE, JP	9,000,000	20 April 2001	HK\$0.75
Ms Yau Wai Fan	1,000,000	20 April 2001	HK\$0.75
Mr Yau Tak Fu	4,000,000	20 April 2001	HK\$0.75
Mr Chan Sze Tsung	500,000	20 April 2001	HK\$0.75

As at 30 June 2002, 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 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 2002 are set out in Notes 15 and 17 respectively to financial statements.

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.

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 2002 amounting to 10% or more of the ordinary shares in issue:

Name of shareholder	No. of ordinary shares held
369 Holdings Limited	507,300,000

Save as disclosed above, no person had registered an interest of 10% or more of the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance as at 30 June 2002.

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 2002, the aggregate payment made to the subsidiary for the above services amounted to HK\$3,000,000.

Details of other related party transactions of the Group are set out in Note 39 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr Chen Chak Man, aged 50, was appointed as an Executive Director and the Chairman of the Board of the Company since 31 July 2001. Mr Chen obtained his bachelor in business administration at the British Columbia Institute of Technology, Canada. He also possessed the membership of Credit Institute of Canada granted by the University of Toronto, and he is the member of the Institute of Canadian Bankers as well. Mr Chen has been participating in the finance, the PRC investments and the entertainment businesses for years. He is also expertise in the strategic management of multi-national business environment.

Mr Lau Kwok Hung, aged 56, was appointed as an Executive Director on 11 October 2001. Mr Lau graduated from the Department of Accountancy, Hong Kong Polytechnic (now known as 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 Chan Tak Chung, aged 49, was appointed as an Executive Director on 1 March 2002. Mr Chan was graduated from The Hong Kong Baptist College (now known as Hong Kong Baptist University) Business Management Department in 1979. He obtained his Master of Business Administration at the University of East Asia (now known as University of Macau) in 1986. In 1992, he obtained the certificate of Senior Banking Programme at the University of Washington, Seattle. He is the members of British Institute of Management, Chartered Institute of Marketing and Chartered Institute of Arbitrators. From 1987 to 1997, Mr Chan was employed by the Bank of China Group (HK) as Manager, Senior Manager, and Assistant General Manager. Before joining the Company, he was a Senior Financial Consultant and the Senior Executive of a listed insurance company in Hong Kong. Mr Chan has participated in the PRC investment and trading activities since the 80's and his specialization is in the field of project investment and financing.



Mr Chan Sheung Wai, aged 41, was appointed as an Executive Director on 1 March 2002. Mr Chan graduated from the University of Hong Kong with a degree of Bachelor of Social Sciences in 1985. He is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants and is also a Certified Public Accountant in Hong Kong. He has also been a Non-Executive Director of Rockapetta Holdings Limited since July 1994. Later, he was appointed as Vice-Chairman and Chairman of the Rockapetta Group in August 2000 and April 2001 respectively.

Mr See Lee Seng, Reason, aged 43, is an Independent Non-Executive Director of the Company. Mr See has over 20 years of experience in fund and portfolio management and investment advisory services over the bullion, forex, units trusts, equity and commodity futures markets. He is an investment adviser registered with the SFC under the Securities Ordinance. He had also been registered as a commodity trading adviser with the SFC under the Commodities Trading Ordinance from 1994 to July 2002. Mr See was also a committee member of the Hong Kong Securities Professionals Association from 1996 to 1999. He acted as vice chairman of the Hong Kong Securities Professionals Association from 1999 to 2001 and was re-elected as a committee member for a term from 2001 to 2003.

Ms Wan Choi Ha, aged 35, was appointed as an Independent Non-Executive Director on 1 March 2002. Ms Wan is a partner of a law firm in Hong Kong and has been a practising lawyer in Hong Kong for almost 10 years. She holds a Bachelor's degree in law from the University of Hong Kong. She is also an Independent Non-Executive Director of New Chinese Medicine Holdings Ltd.

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 37 to financial statements. In the opinion of the directors, the Group had no significant obligations at 30 June 2002 for long service payments to its employees pursuant to the requirements under the Employment Ordinance.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The present management took control of the management of the Company on 29 August 2001 and by virtue thereof the present management is not in a position to comment in respect of the previous management. In the opinion of the current directors, the Company has, as far as possible, complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange since 29 August 2001.

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 2002.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in Note 44 to financial statements.

AUDITORS

Messrs Deloitte Touche Tohmatsu acted as auditors of the Company for the financial year ended 30 June 2000. Messrs HLB Hodgson Impey Cheng have acted as auditors of the Company for the past two financial years.

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

Chen Chak Man

Chairman

Hong Kong, 21 October 2002