



## 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 2004.

### 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 2004 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 39% (2003: 31%) of the Group’s total turnover and the five largest suppliers accounted for approximately 75% (2003: 92%) of the Group’s total purchases.

The largest customer accounted for approximately 19% (2003: 16%) of the Group’s total turnover and the largest supplier accounted for approximately 24% (2003: 32%) 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 2004 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 15 to 63.

The directors do not recommend payment of a final dividend in respect of the year ended 30 June 2004 (2003: 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 2004, the Company did not have available reserves for distribution to shareholders (2003: Nil) in accordance with the provisions of section 79B of the Hong Kong 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				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	152,661	198,024	103,991	88,864	54,494
Operating profit/(loss) from ordinary activities	7,009	(42,769)	(48,989)	(44,466)	(25,720)
Taxation charge for the year	(1,295)	(1,086)	(417)	(759)	(76)
Profit/(loss) before minority interests	5,714	(43,855)	(49,406)	(45,225)	(25,796)
Minority interests	(1,763)	(3,134)	(306)	(54)	(79)
Profit/(loss) for the year	3,951	(46,989)	(49,712)	(45,279)	(25,875)

### Assets and Liabilities

	At 30 June				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Total assets	188,967	156,149	140,073	116,660	152,434
Total liabilities	(72,763)	(75,047)	(44,167)	(47,979)	(21,230)
Minority interests	(9,084)	(6,646)	(7,850)	(7,904)	(7,983)
Shareholders' funds	107,120	74,456	88,056	60,777	123,221

### 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.

### **USE OF PROCEEDS FROM OPEN OFFER**

The proceeds from the issue of 6,811,020,000 ordinary shares of the Company under the open offer (the "Open Offer") as set out in the Company's circular dated 24 May 2004 (the "Circular"), after deduction of related issuance expenses, amounted to approximately HK\$88.3 million was applied in accordance with the proposed applications as stated in the Circular during the year ended 30 June 2004 as follows:

- approximately HK\$13.1 million for repayment of outstanding debts and loans due to independent third parties;
- approximately HK\$15.8 million for redemption of the convertible notes of the Company; and
- approximately HK\$0.3 million as general working capital.

### **DIRECTORS**

The directors of the Company during the year and subsequently were:

#### **Executive directors:**

Mr Chen Chak Man (*Chairman*)

Mr Lau Kwok Hung

Mr Lau Kwok Keung

Ms Chik Siu Yin, *Urica*

#### **Independent non-executive directors:**

Mr Chow Pui Fung

Mr Chan Ping Yim (Appointed on 30 September 2004)

Mr Hung Shui Nam (Appointed on 30 September 2004)

Mr Fok Po Tin (Appointed on 31 January 2004 and resigned on 30 September 2004)

Mr See Lee Seng, Reason (Resigned on 31 January 2004)

In accordance with Articles 79 and 80 of the Company's Articles of Association, Mr Chan Ping Yim and Mr Hung Shui Nam 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

As at 30 June 2004, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

*Long positions in ordinary shares of the Company*

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
Mr Chen Chak Man	Corporate	476,300,000	5.24%

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

Save as disclosed above and other than certain nominee shares in the subsidiaries held by directors in trust for the Company, none of the Company's directors or their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

### (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 2004, 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.



## Report of the Directors *(Continued)*

### **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 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 2004 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.

### **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 2004 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	476,300,000	5.24%
Mr Chim Pui Chung (Note)	1,569,390,000	17.28%

Note: These shares were held as to 997,650,000 shares by Gallery Land Ltd (a company wholly owned by Mr Chim Pui Chung), as to 568,800,000 shares by Golden Mount Ltd (a company wholly owned by Mr Chim Pui Chung) and as to 2,940,000 shares held by Mr Chim Pui Chung.

Details of the above interests of 369 Holdings Limited 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 as at 30 June 2004.

### CONNECTED/RELATED PARTY TRANSACTIONS

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 52, was appointed the 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 58, was appointed an Executive Director on 11 October 2001. Mr. Lau holds a senior executive master degree in business administration from Charles Darwin University. He is a fellow of the Hong Kong Institute of Certified Public 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 56, 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 34, 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 Chow Pui Fung**, aged 64, 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.

**Mr Chan Ping Yim**, aged 58, was appointed an Independent Non-executive Director of the Company on 30 September 2004. Mr Chan is a Certified Public Accountant (Practising). He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr Chan is a partner of W. Y. Lam, Dominic Chan & Co., Certified Public Accountants. During his career path, Mr Chan acted as a financial controller of a multi-national investment group of companies. He gave financial advices in litigation, valuation of business and internal audit for big organizations and was appointed liquidator for some private companies. With his clientele in South East Asia, Mr Chan is very familiar with the business and accounting practices in Thailand. He is now the independent non-executive director of Northern International Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited.

**Mr Hung Shui Nam**, aged 33, was appointed an Independent Non-executive Director of the Company on 30 September 2004. Mr Hung has been in the accounting field for approximately 10 years. He gained most of his experience in the manufacturing sector, of which he spent several years in some factories owned by two companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is now the executive director of Shanxi Central Pharmaceutical International Limited, a company listed on the Stock Exchange.

### **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 2004 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 three members, all being Independent Non-executive Directors of the Company, 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 2004.

### **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, 20 October 2004