



# **Massive Resources International Corporation Limited**

(Incorporated in Hong Kong with limited liability)

**Interim Report 2003/04**

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# CORPORATE INFORMATION

## DIRECTORS

### 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 Fok Po Tin

(appointed on 31 January 2004)

Mr See Lee Seng, Reason

(resigned on 31 January 2004)

## COMPANY SECRETARY

Mr Lau Kwok Hung

## AUDIT COMMITTEE

Mr Chow Pui Fung

Mr Fok Po Tin

(appointed on 31 January 2004)

Mr See Lee Seng, Reason

(resigned on 31 January 2004)

## AUDITORS

HLB Hodgson Impey Cheng

*Chartered Accountants*

*Certified Public Accountants*

## PRINCIPAL BANKER

Liu Chong Hing Bank Limited

## SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited

Room 1712-16

17th Floor

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183 Queen's Road East

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## REGISTERED OFFICE

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# 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.

# ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

## Directors' Interests in Securities

### (i) Shares

Other than certain nominee shares in the subsidiaries held by directors in trust for the Company, as at 31 December 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.

### (ii) Share 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 31 December 2003, none of the directors of the Company had any interests in options to subscribe for shares granted under the Scheme.

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(Continued)*

### Directors' Interests in Securities *(continued)*

#### (ii) Share Options *(continued)*

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 six months ended 31 December 2003.

### Substantial Shareholders

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2003 amounting to 5% or more of the ordinary shares in issue:

Name of shareholder	Number of ordinary shares held	Approximate shareholding percentage
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 31 December 2003.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period 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 debentures of the Company or any other body corporate.

## **ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES** *(Continued)*

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 31 December 2003, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

### **Compliance with the Code of Best Practice**

In the opinion of the 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.

### **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 unaudited interim financial statements for the six months ended 31 December 2003. At the request of the Directors, the Company's external auditors, Messrs HLB Hodgson Impey Cheng, have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants.

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2003

		Six months ended 31 December	
	Note	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	3	28,595	34,632
Cost of sales		<u>(25,542)</u>	<u>(30,903)</u>
Gross profit		3,053	3,729
Other revenue		798	350
Distribution costs		(527)	(388)
Administrative expenses		(5,215)	(23,600)
Amortisation of goodwill		–	(594)
Provision for diminution in value of investment in a joint venture		(6,922)	–
Net (provision for diminution in value)/unrealised holding gain for investments in listed securities		<u>(9,275)</u>	<u>1,926</u>
Loss from operations	3, 4	(18,088)	(18,577)
Finance costs		<u>(480)</u>	<u>(1,166)</u>
Loss from ordinary activities before taxation		(18,568)	(19,743)
Taxation	5	<u>(23)</u>	<u>(53)</u>
Loss before minority interests		(18,591)	(19,796)
Minority interests		<u>(25)</u>	<u>(57)</u>
Net loss for the period		<u><u>(18,616)</u></u>	<u><u>(19,853)</u></u>
Interim dividend	6	<u>–</u>	<u>–</u>
Loss per ordinary share Basic	7	<u><u>(0.8) cent</u></u>	<u><u>(1.0) cent</u></u>

All of the Group's operations are classed as continuing.

The notes on pages 14 to 29 form part of this interim financial report.

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2003

	Note	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
<b>Non-current assets</b>			
Tangible fixed assets	8	8,261	8,684
Development costs		1,263	788
Goodwill	9	–	–
Other intangible assets		59	59
Subsidiaries not consolidated	10	–	–
Interest in a joint venture		–	6,922
		<u>9,583</u>	<u>16,453</u>
<b>Current assets</b>			
Properties under development for sale		27,200	27,200
Inventories		9,805	9,658
Trade and other receivables	11	22,427	27,540
Investments in securities		6,228	15,503
Prepaid tax		166	–
Pledged bank deposits		3,000	3,000
Cash and bank balances		17,487	17,306
		<u>86,313</u>	<u>100,207</u>
<b>Less: Current liabilities</b>			
Bank and other borrowings		9,423	8,532
Trade and other payables	12	16,267	18,790
Taxation		2,392	2,561
Convertible notes	13	15,000	15,000
		<u>43,082</u>	<u>44,883</u>

# CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31 December 2003

		31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Net current assets		<u>43,231</u>	<u>55,324</u>
Total assets less current liabilities		<u>52,814</u>	<u>71,777</u>
Non-current liabilities			
Obligations under finance leases		416	667
Bank and other borrowings		<u>2,308</u>	<u>2,429</u>
		<u>2,724</u>	<u>3,096</u>
Minority interests		<u>7,929</u>	<u>7,904</u>
Net assets		<u><u>42,161</u></u>	<u><u>60,777</u></u>
Representing:			
Share capital	14	45,407	45,407
Reserves	15	<u>(3,246)</u>	<u>15,370</u>
Shareholders' funds		<u><u>42,161</u></u>	<u><u>60,777</u></u>

The notes on pages 14 to 29 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2003

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total equity at 1 July	60,777	88,056
Net loss for the period	(18,616)	(19,853)
New issue of ordinary shares	—	12,000
Total equity at 31 December	<u>42,161</u>	<u>80,203</u>

The notes on pages 14 to 29 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2003

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	353	(18,463)
Net cash outflow from investing activities	(734)	(1,357)
Net cash inflow from financing	<u>3,159</u>	<u>15,067</u>
Increase/(decrease) in cash and cash equivalents	2,778	(4,753)
Cash and cash equivalents at beginning of period	<u>14,709</u>	<u>16,705</u>
Cash and cash equivalents at end of period	<u><u>17,487</u></u>	<u><u>11,952</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	17,487	14,122
Bank borrowings	<u>-</u>	<u>(2,170)</u>
	<u><u>17,487</u></u>	<u><u>11,952</u></u>

The notes on pages 14 to 29 form part of this interim financial report.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2003

## 1. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”).

The condensed interim financial statements have been prepared on a going concern basis. As at 31 December 2003, the Group had convertible notes of HK\$15,000,000, if not converted, to be repayable in one year’s time. The validity of the going concern assumption depends upon future profitable operations and funding being available. The condensed interim financial statements have been prepared on a going concern basis as the Group has cash and bank balances and investments in listed securities which can be readily utilised to settle the convertible notes.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 30 June 2003, except that the Group has adopted the revised SSAP 12 “Income Taxes” issued by the HKSA which is effective for the accounting periods commencing on or after 1 January 2003.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The changes to the Group's accounting policy and the effect of adopting the new policy is as follows:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

In prior years, deferred taxation was accounted for at the current taxation rate in respect of temporary differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy and should be applied retrospectively. However, since the effect on prior periods was not material, no prior period adjustment has been made.

**3. SEGMENTAL INFORMATION**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacturing and trading of electrical equipment, the trading of listed securities, the provision of electrical engineering and contracting services and entertainment business. An analysis of the Group's turnover and contribution to loss from operations by principal activities and geographical locations during the period is shown as follows:

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

## 3. SEGMENTAL INFORMATION *(Continued)*

### (a) Business segments

	Six months ended 31 December 2003 (unaudited)				Consolidated HK\$'000
	Electrical equipment HK\$'000	Listed securities HK\$'000	Electrical engineering and contracting services HK\$'000	Entertainment business HK\$'000	
<b>Segment revenue:</b>					
Sales/services to external customers	23,079	-	5,516	-	28,595
<b>Segment results</b>	2,767	-	286	-	3,053
Interest income					43
Other income					755
Distribution costs					(527)
General and administrative expenses					(21,412)
Loss from operating activities					(18,088)
Finance costs					(480)
Loss before taxation					(18,568)
Taxation					(23)
Loss before minority interest					(18,591)
Minority interests					(25)
<b>Net loss for the period</b>					(18,616)
Segment assets	44,011	6,546	6,697	95	57,349
Unallocated assets					38,547
<b>Total assets</b>					95,896
Segment liabilities	10,055	4,239	4,196	138	18,628
Unallocated liabilities					27,178
<b>Total liabilities</b>					45,806
<b>Other segment information:</b>					
Unallocated capital expenditure					734
Depreciation and amortisation	462	-	-	-	462
Unallocated amounts					220
					682
Other non-cash expenses	-	9,275	-	-	9,275
Unallocated amounts					6,922
					16,197

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

## 3. SEGMENTAL INFORMATION *(Continued)*

### (a) Business segments *(Continued)*

	Six months ended 31 December 2002 (unaudited)			Consolidated HK\$'000
	Electrical equipment HK\$'000	Listed securities HK\$'000	Electrical engineering and contracting services HK\$'000	
<b>Segment revenue:</b>				
Sales/services to external customers	26,281	655	7,696	34,632
Segment results	3,017	(86)	798	3,729
Interest income				65
Other income				2,211
Distribution costs				(388)
General and administrative expenses				(24,194)
Loss from operating activities				(18,577)
Finance costs				(1,166)
Loss before taxation				(19,743)
Taxation				(53)
Loss before minority interest				(19,796)
Minority interests				(57)
Net loss for the period				(19,853)
Segment assets	49,739	15,579	9,416	74,734
Investment in associates				11,500
Investment in a joint venture				10,000
Unallocated assets				40,447
<b>Total assets</b>				<b>136,681</b>
Segment liabilities	10,795	3,449	5,096	19,340
Unallocated liabilities				29,231
<b>Total liabilities</b>				<b>48,571</b>
<b>Other segment information:</b>				
Unallocated capital expenditure				1,298
Depreciation and amortisation	213	-	-	213
Unallocated amounts				1,199
				1,412
Other non-cash income	-	1,926	-	1,926

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

## 3. SEGMENTAL INFORMATION *(Continued)*

### (b) Geographical segments

	Six months ended		
	31 December 2003 (unaudited)		
	Hong Kong	The PRC	Consolidated
	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>			
Sales/services to external customers	28,595	–	28,595
	<u>28,595</u>	<u>–</u>	<u>28,595</u>
Segment results	3,053	–	3,053
	<u>3,053</u>	<u>–</u>	<u>3,053</u>
<b>Other segment information:</b>			
Segment assets	66,320	29,576	95,896
			<u>95,896</u>
Capital expenditure	734	–	734
			<u>734</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

### 3. SEGMENTAL INFORMATION *(Continued)*

#### (b) Geographical segments *(Continued)*

	Six months ended		
	31 December 2002 (unaudited)		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>			
Sales/services to external customers	34,632	–	34,632
Segment results	3,729	–	3,729
<b>Other segment information:</b>			
Segment assets	81,533	33,648	115,181
Investment in associates			11,500
Investment in a joint venture			10,000
<b>Total assets</b>			<b>136,681</b>
Capital expenditure	1,276	22	1,298

### 4. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$542,000 (2002: HK\$818,000) was charged in respect of the Group's tangible fixed assets. Amortisation of HK\$140,000 (2002: HK\$594,000) was charged in respect of the Group's intangible assets.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

### 5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

### 6. INTERIM DIVIDEND

The Directors does not recommend the payment of an interim dividend for the period under review (2002: Nil).

### 7. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share is based on the net loss for the period of HK\$18,616,000 (2002: HK\$19,853,000) and the 2,270,340,000 ordinary shares (2002: weighted average of 1,932,079,000 ordinary shares) in issue during the period.

No diluted loss per ordinary share has been presented for the periods ended 31 December 2003 and 31 December 2002 as the effect of the assumed conversion of the Company's outstanding convertible notes would result in a decrease in net loss per ordinary share for both periods.

### 8. TANGIBLE FIXED ASSETS

The net book value of tangible fixed assets pledged to secure general banking facilities granted to the Group amounted to HK\$5,840,000 (at 30 June 2003: HK\$5,880,000) and the net book value of tangible fixed assets held under finance leases amounted to HK\$1,048,000 (at 30 June 2003: HK\$1,260,000).

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

## 9. GOODWILL

	<b>Unaudited</b>
	<b>HK\$'000</b>
<b>At cost:</b>	
At 1 July 2003 and 31 December 2003	<u>14,259</u>
<b>Accumulated amortisation:</b>	
At 1 July 2003 and 31 December 2003	<u>14,259</u>
<b>Net book value:</b>	
At 31 December 2003	<u><u>–</u></u>
At 30 June 2003	<u><u>–</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

### 10. SUBSIDIARIES NOT CONSOLIDATED

	<b>31 December</b> <b>2003</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30 June 2003 (Audited) HK\$'000
Unlisted shares at cost, net of provision	—	—

In February 2001, Goalstar Holdings Limited (“Goalstar”), a wholly-owned subsidiary of the Company, purportedly entered into an agreement whereby Goalstar would purchase 60% of the issued shares and the shareholders’ loan of M-Star Limited (“M-Star”). Having obtained legal advice, Goalstar duly rescinded the purported agreement. The Group’s investments in M-Star had not been incorporated into these financial statements and as prudence, full provision of HK\$16,043,000 for the investment in M-Star had been made during the year ended 30 June 2002. Official receiver had been appointed for the liquidation of M-Star during the year ended 30 June 2003. In the opinion of the Directors, the recoverability of the investment in M-Star is remote.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

### 11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers. Included in trade and other receivables are trade debtors of HK\$18,885,000 (at 30 June 2003: HK\$23,263,000) with the following aging analysis:

	<b>31 December 2003 (Unaudited) HK\$'000</b>	30 June 2003 (Audited) HK\$'000
Within 60 days	11,177	12,913
Over 60 days	2,061	3,101
Over 90 days	5,647	7,249
	<u>18,885</u>	<u>23,263</u>

### 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$5,570,000 (at 30 June 2003: HK\$7,106,000) with the following aging analysis:

	<b>31 December 2003 (Unaudited) HK\$'000</b>	30 June 2003 (Audited) HK\$'000
Within 90 days	5,570	7,101
Over 90 days	—	5
	<u>5,570</u>	<u>7,106</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

### 13. CONVERTIBLE NOTES

On 20 May 2003, the Company entered into 9 conditional subscription agreements with 9 independent third parties. On completion, the Company issued unsecured redeemable convertible notes in the principal amount of HK\$15,000,000. Under the agreements, the holder of the note (the "Noteholder") has the right to convert the whole or part of the principal amount of the note into new shares of HK\$0.02 each in the issued share capital of the Company at the conversion price of HK\$0.02 per share, subject to adjustments, at any time from the date of issue of note up to the maturity date (12 months after date of issue of the note). Interest is charged at 5% per annum and is repayable at the maturity date. At 31 December 2003, the outstanding principal amount of the notes amounted to HK\$15,000,000. If the Noteholders convert whole of the outstanding principal amount, the Company will be required to issue a further 750,000 new ordinary shares.

### 14. SHARE CAPITAL

	<b>31 December 2003 (Unaudited) HK\$'000</b>	<b>30 June 2003 (Audited) HK\$'000</b>
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.02 each	<u><u>200,000</u></u>	<u><u>200,000</u></u>
<i>Issued and fully paid:</i>		
2,270,340,000 ordinary shares of HK\$0.02 each	<u><u>45,407</u></u>	<u><u>45,407</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

### 15. RESERVES

	Share premium (Unaudited) HK\$'000	Non-distributable reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
The Group:				
At 1 July 2003	65,099	2,264	(51,993)	15,370
Net loss for the period	—	—	(18,616)	(18,616)
At 31 December 2003	<u>65,099</u>	<u>2,264</u>	<u>(70,609)</u>	<u>(3,246)</u>

### 16. PLEDGE OF ASSETS

At 31 December 2003, the net book value of tangible fixed assets of HK\$5,840,000 (at 30 June 2003: HK\$5,880,000) and bank deposits of HK\$3,000,000 (at 30 June 2003: HK\$3,000,000) were pledged to secure general banking facilities granted to the Group.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

### 17. CONTINGENT LIABILITIES

	<b>31 December 2003 (Unaudited) HK\$'000</b>	30 June 2003 (Audited) HK\$'000
Guarantees given to banks for general banking facilities granted to subsidiaries	3,500	3,500
Irrevocable letters of credit	187	187
Other trade guarantees	160	160
	<u>3,847</u>	<u>3,847</u>

### 18. OPERATING LEASE COMMITMENTS

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>31 December 2003 (Unaudited) HK\$'000</b>	30 June 2003 (Audited) HK\$'000
Within one year	798	1,872
In the second to fifth years, inclusive	54	–
	<u>852</u>	<u>1,872</u>

### 19. POST BALANCE SHEET EVENT

On 4 March 2004, the Company announced a proposed open offer with bonus issue and additional issue (the "Open Offer") whereby 4,540,680,000 new ordinary shares ("Offer Shares") are proposed to be offered to the qualifying holders for subscription on the basis of two Offer Shares for every share held on the record date pursuant to the Open Offer. Qualifying holders are entitled to apply for Offer Shares not taken up by other shareholders in excess of their respective entitlements under the Open Offer. A maximum of 600,000,000 additional shares ("Additional Shares") are proposed to be issued by the Company in the event that the aggregate number of excess Offer Shares being applied for exceeds the aggregate number of Offer Shares not taken up for a maximum of HK\$12.0 million. The Company also proposes to issue bonus shares on the basis of one bonus share for every two Offer Shares or Additional Shares issued.

On the same date, the Company entered into a conditional underwriting agreement (the "Underwriting Agreement") with Kingston Securities Limited (the "Underwriter") whereby the Underwriter agreed to fully underwrite all Offer Shares.

The Open Offer with bonus issue and additional issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. The Open Offer is scheduled to be completed in May 2004.

## **20. RELATED PARTY TRANSACTIONS**

During the period, the Group entered into sales transactions of HK\$5,447,000 (2002: HK\$7,745,000) and paid management fees of HK\$180,000 (2002: HK\$180,000) to related companies, in which directors of subsidiaries have controlling interests.

## **21. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved by the Board of Directors on 23 March 2004.

By Order of the Board

**Lau Kwok Hung**

*Executive Director*

Hong Kong, 23 March 2004

# INDEPENDENT REVIEW REPORT

## INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF MASSIVE RESOURCES INTERNATIONAL CORPORATION LIMITED

*(Incorporated in Hong Kong with limited liability)*

### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 29.

### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

### Review of work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 December 2003.

### HLB Hodgson Impey Cheng

*Chartered Accountants*

*Certified Public Accountants*

Hong Kong, 23 March 2004