

# Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31st December 2000.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no changes in the nature of the Group's principal activities (which are further detailed in note 1 to the financial statements) during the year.

## FINANCIAL RESULTS

The Group's loss for the year ended 31st December 2000 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 17 to 50.

## SEGMENT INFORMATION

An analysis of Group's turnover and contribution to loss before tax by principal activity and geographical area of operation for the year ended 31st December 2000 is as follows:

|                                       | Turnover         |                  | Contribution/(loss) |                  |
|---------------------------------------|------------------|------------------|---------------------|------------------|
|                                       | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000    | 1999<br>HK\$'000 |
| By activity:                          |                  |                  |                     |                  |
| Securities dealing and margin finance | <b>32,442</b>    | 18,286           | <b>(14,538)</b>     | (18,493)         |
| Consumer finance                      | <b>1,479</b>     | 5,419            | <b>(4,289)</b>      | (8,072)          |
| Manufacturing and trading             | —                | 3,334            | —                   | (27,058)         |
|                                       | <b>33,921</b>    | 27,039           | <b>(18,827)</b>     | (53,623)         |
| By geographical area:                 |                  |                  |                     |                  |
| Hong Kong                             | <b>29,637</b>    | 18,151           | <b>(6,119)</b>      | (53,941)         |
| Philippines                           | <b>4,284</b>     | 8,633            | <b>(12,708)</b>     | 1,826            |
| United States of America              | —                | 255              | —                   | (1,508)          |
|                                       | <b>33,921</b>    | 27,039           | <b>(18,827)</b>     | (53,623)         |

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Comment on segment information

During the year under review, the turnover of the securities dealing and margin financing business increased by 78% from HK\$18 million in 1999 to HK\$32 million.

The manufacturing and trading division were ceased in 1999 and thus, there was no contribution from this segment to the Group's turnover and result in the year 2000.

### Liquidity and capital structure

The total borrowings of the Group at the balance sheet date amounted to HK\$122.7 million of which HK\$86.3 million represented intercompany advances from Magnum Corporation Berhad Group in Malaysia. The bank borrowings at the balance sheet date amounted to HK\$36.3 million which was significantly reduced when compared to HK\$43.6 million at 31st December 1999. The cash and cash equivalents as at 31st December 2000 were held in Hong Kong dollars, United States dollars and Philippines pesos and all bank borrowings were in Hong Kong dollars.

Fixed assets, investment properties and bank deposits with carrying values of HK\$4.8 million, HK\$29.3 million and HK\$5 million, respectively, at the balance sheet date were charged to banks to secure the bank borrowings. Further details of the pledges of assets are included in note 33 to the financial statements.

The main funding of the Group is by intercompany advances. The interest rates are charged at rates lower than the interest rates charged by the banks of the Group.

The gearing ratio is calculated by dividing the amount of long-term debts by the amount of equity. The gearing ratio at the balance sheet date was approximately 3.55.

### Significant investment held

The most significant investment held by the Group at the balance sheet date was 805,000 shares of the Hong Kong Exchanges and Clearing Limited ("HKEC"). Following the listing of the shares of HKEC, the investment has performed well in the year 2000 and the Group had recorded a substantial amount of unrealised holding gain in respect of such investment. The Board has been looking for an opportunity to realise such investment to improve the Group's cash position.

### Acquisition and disposal

During the year under review, there was no acquisition or disposal of any subsidiary or associate.



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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Exposure to fluctuation in exchange rates

Since the Group's main business is securities broking in Hong Kong, its exposure to fluctuations in exchange rates and currencies is minimal.

### Remuneration of employees

As at the balance sheet date, the Group had approximately 54 full time employees who were based in Hong Kong and the Philippines. The Group continuously recruits new sales and marketing staff. The remuneration of employees is reviewed annually. Staff benefits include a medical scheme, provident fund, a share option scheme and discretionary bonuses based on performance.

30,980,000 and 1,440,000 share options were granted during the year to directors and employees at the exercise prices of HK\$0.37 and HK\$0.21 respectively. None of the share options were exercised during the year under review.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below.

### Results

|                                       | Year ended 31st December |                  |                  |                  |                  |
|---------------------------------------|--------------------------|------------------|------------------|------------------|------------------|
|                                       | 2000<br>HK\$'000         | 1999<br>HK\$'000 | 1998<br>HK\$'000 | 1997<br>HK\$'000 | 1996<br>HK\$'000 |
| TURNOVER                              | <b>33,921</b>            | 27,039           | 36,882           | 67,062           | 26,129           |
| LOSS BEFORE TAX                       | <b>(18,827)</b>          | (53,623)         | (50,911)         | (13,913)         | (10,389)         |
| Tax                                   | <b>1,142</b>             | 2,726            | 367              | (1,259)          | (1,323)          |
| LOSS BEFORE MINORITY INTERESTS        | <b>(17,685)</b>          | (50,897)         | (50,544)         | (15,172)         | (11,712)         |
| Minority interests                    | —                        | 107              | 35               | 42               | (50)             |
| NET LOSS ATTRIBUTABLE TO SHAREHOLDERS | <b>(17,685)</b>          | (50,790)         | (50,509)         | (15,130)         | (11,762)         |



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## FINANCIAL SUMMARY (continued)

### Assets and liabilities

|                    | 31st December    |                  |                  |                  |                  |
|--------------------|------------------|------------------|------------------|------------------|------------------|
|                    | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 1998<br>HK\$'000 | 1997<br>HK\$'000 | 1996<br>HK\$'000 |
| TOTAL ASSETS       | <b>209,251</b>   | 209,915          | 216,921          | 1,014,012        | 239,845          |
| TOTAL LIABILITIES  | <b>(183,118)</b> | (162,391)        | (116,108)        | (862,905)        | (53,946)         |
| MINORITY INTERESTS | —                | —                | (3,109)          | (3,144)          | (3,187)          |
| NET ASSETS         | <b>26,133</b>    | 47,524           | 97,704           | 147,963          | 182,712          |

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 13 and 14 to the financial statements, respectively.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

### BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the bank loans, overdrafts and other borrowings of the Company and the Group are set out in notes 23 to 26 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and movements in the share options during the year, together with reasons therefor, are set out in note 28 to the financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.



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## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

At the balance sheet date, the Company did not have any reserves available for cash/in specie dividend distributions. However, the share premium account, in the amount of HK\$168,315,330, may be used for the issue of fully paid bonus shares.

## MAJOR CUSTOMERS

In the year under review, turnover attributable to the Group's five largest customers accounted for less than 30% of the total turnover for the year.

## RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 6 to the financial statements, respectively.

## DIRECTORS

The directors of the Company who were in office during the year and those at the date of this report are:

### Executive directors

|  |                                 |
|--|---------------------------------|
| Lim Teong Leong                              | (appointed on 4th October 2000) |
| Dato' Lim Sze Guan (alias Dato' Lim Kim Wah) | (resigned on 4th October 2000)  |
| Cheah Yoke Phow                              |                                 |
| Tam Cheok Wing                               |                                 |
| Ooi Sin Heng                                 |                                 |
| Chan Hon Ming                                |                                 |

### Independent non-executive directors

Lim Chiew  
Lim Yee Sin



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## **DIRECTORS** (continued)

In accordance with the Company's bye-laws, Lim Teong Leong, Tam Cheok Wing and Lim Chiew will retire at the forthcoming annual general meeting. Both Lim Teong Leong and Tam Cheok Wing, being eligible, will offer themselves for re-election.

The terms of appointment of the independent non-executive directors are such that their terms of office will expire when they are required to retire by rotation in accordance with the Company's bye-laws.

## **DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES**

### **Executive directors**

**Lim Teong Leong**, aged 47, is the executive director of Magnum Corporation Berhad, a public listed company on the Kuala Lumpur Stock Exchange, and Chairman of Magnum International Holdings Limited, a public listed company on the Stock Exchange of Hong Kong. He sits on the boards of directors of various companies in Malaysia and overseas. Mr Lim was appointed director and Chairman of the Company in October 2000. Prior to this appointment, he was General Manager of a leading stockbroking company and was also executive director of a top car accessories manufacturer in Malaysia. Mr. Lim is a graduate of the Chartered Institute of Marketing, United Kingdom.

**Cheah Yoke Phow**, aged 51, was appointed a director of the Company in January 1994. He has seven years of service with the Group. He is currently the Senior General Manager of the corporate development division of Multi-Purpose Holdings Berhad. He is a member of the Institute of Chartered Accountants in England and Wales and has extensive experience in accounting and merchant banking.

**Tam Cheok Wing**, aged 48, was appointed a director of the Company in June 1999. He is an engineer by profession and is a member of the Malaysian Institute of Planners. He is currently the Group General Manager of Magnum Corporation Berhad, a company which is listed on the Kuala Lumpur Stock Exchange. Mr. Tam holds a Bachelors' degree in Civil Engineering, a Postgraduate Diploma in Town Planning and a Masters' degree in Business Administration. Mr. Tam has extensive experience in international business management and property based operations.

**Ooi Sin Heng**, aged 39, was appointed a director of the Company in August 1999. He is currently the General Manager for the Group. He has eight years of service with Magnum Corporation Berhad Group. Prior to joining Magnum Corporation Berhad Group, he was working with an international accountancy firm. Mr. Ooi holds a Bachelors' degree in Accounting and is a member of the Malaysian Association of Certified Public Accountants.



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## **DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES** (continued)

### **Executive directors** (continued)

**Chan Hon Ming, Alan**, aged 41, was appointed a director of the Company in August 1999. Mr. Chan is also the managing director of Magnum International Securities Limited, a wholly-owned subsidiary of the Group. He holds a MBA degree majoring in Finance and has over fifteen years of working experience in the stock brokerage business. Starting as a research analyst, he worked his way up to the deputy-managing-director of a brokerage house before joining the Group.

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

**Lim Chiew**, aged 44, was appointed an independent non-executive director of the Company in July 1999. Mr. Lim has been practising as a public accountant in Malaysia for the last seventeen years and is currently the partner of a public accounting firm in Malaysia. He is a member of the Australian Society of Certified Practising Accountants, the Malaysian Institute of Accountants and the Malaysian Institute of Taxation.

**Lim Yee Sin**, aged 43, was appointed an independent non-executive director of the Company in August 1999. She is an associate of the Chartered Institute of Management Accountants (U.K.) and has about eleven years of experience with the Magnum Corporation Berhad Group. Prior to that, she spent a total of eight years in the auditing profession and about two years in a commercial bank.

## **SENIOR MANAGEMENT**

**Wong Chun Sing, Max**, aged 30, graduated from City University of Hong Kong in 1994 with a Bachelor degree (Honours) in Accountancy. He has four years of service with the Group and is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. He is currently the Accounting Manager of the Group. Prior to joining the Group in 1997, he worked with an international accountancy firm.

## **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 of compensation other than the statutory obligation.



# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES

At 31st December 2000, the interests of the directors and their associates in the shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") are set out below.

| <u>Interests in shares of associated corporation</u> | <u>Name of director</u> | <u>Class of shares held</u> | <u>Nature of interest</u> | <u>Number of shares held</u> |
|--|-------------------------|-----------------------------|---------------------------|------------------------------|
| Magnum Corporation Berhad*                           | Tam Cheek Wing          | Ordinary                    | Personal                  | 5,000                        |
|  | Lim Yee Sin             | Ordinary                    | Personal                  | 24,000                       |

\* Magnum Corporation Berhad is the Company's ultimate holding company.

The interests of the directors in the share options of the Company or its associated corporations are separately disclosed in the section "Directors' rights to acquire shares".

Save as disclosed above, none of the directors or their respective associates had any interest in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

### Company

The Company has a share option scheme under which the directors may, on or before 29th October 2002, at their absolute discretion, invite any employee or executive director of the Company or its subsidiaries to take up options to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the share capital of the Company in issue from time to time.





# Report of the Directors

## DIRECTORS' RIGHTS TO ACQUIRE SHARES (continued)

### Company (continued)

On 22nd February 2000, share options to subscribe for a total of 30,980,000 shares in the Company at an exercise price of HK\$0.37 per share were granted to the directors and employees of the Group under the Share Option Scheme of the Company adopted on 30th October 1992. As at 31st December 2000, details of the share options granted to the Company's directors are set out as follows:

| <b>Name of director</b> | <b>Number of share options granted during the year and outstanding at 31st December 2000</b> | <b>Period during which options are exercisable</b> | <b>Exercise price per option share (Hong Kong dollar)</b> |
|-------------------------|--|--|---|
| Tam Cheok Wing          | 4,000,000  | 23rd August 2000 to 22nd August 2002               | 0.37  |
| Cheah Yoke Phow         | 2,000,000  | 23rd August 2000 to 22nd August 2002               | 0.37  |
| Ooi Sin Heng            | 2,000,000  | 23rd August 2000 to 22nd August 2002               | 0.37  |
| Chan Hon Ming           | 2,000,000  | 23rd August 2000 to 22nd August 2002               | 0.37  |

The above share options are owned by the directors in person.



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## DIRECTORS' RIGHTS TO ACQUIRE SHARES (continued)

### Associated corporation

Pursuant to the employees' share option scheme of Magnum Corporation Berhad ("MCB"), certain directors of the Company have been granted options of MCB's ordinary shares. At 31st December 2000, the interests of directors of the Company and their associates in the share options of MCB are as follows:

| Name of director | Number of<br>options held<br>as at 31st<br>December<br>2000 | Date granted      | Period during which<br>options are<br>exercisable | Exercise<br>price per<br>share<br>(Malaysian<br>Ringgit) |
|------------------|---|-------------------|---|--|
| Tam Cheek Wing   | 310,000   | 2nd February 1996 | 2nd February 1996 to<br>19th January 2001         | 3.39   |
|                  | 100,000   | 7th July 1999     | 7th July 1999 to<br>19th January 2001             | 3.08   |
| Ooi Sin Heng     | 295,000   | 20th January 1996 | 20th January 1996 to<br>19th January 2001         | 3.39   |
| Lim Yee Sin      | 250,000   | 20th January 1996 | 20th January 1996 to<br>19th January 2001         | 3.39   |
|                  | 30,000  | 5th January 2000  | 5th January 2000 to<br>19th January 2001          | 2.90   |

The above share options are owned by the directors in person. None of the above share options were exercised after the year end and all of them were lapsed on 19th January 2001.

Other than the foregoing, at no time during the year ended 31st December 2000 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



# Report of the Directors

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

## SUBSTANTIAL SHAREHOLDERS

At 31st December 2000, the interests of persons, other than the directors, in 10% or more of the share capital of the Company as recorded in the register of interests of the Company required to be kept under Section 16(1) of the SDI Ordinance are as follows:

| <b>Name of Shareholder</b> | <b>Number of shares held</b> |
|----------------------------|------------------------------|
| Magnum (Guernsey) Limited  | 313,775,680                  |

Magnum (Guernsey) Limited is a wholly-owned subsidiary of Magnum Enterprise Sdn Bhd which in turn is a wholly-owned subsidiary of MCB.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## PURCHASE, REDEMPTION AND SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report except that the non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's bye-laws.

# Report of the Directors

## **AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Lim Teong Leong**

*Chairman*

Hong Kong

11th April 2001

