

**BUSINESS REVIEW**

For the six months ended 30th June 2001, the Group recorded a turnover of HK\$7.5 million and a loss before tax of HK\$10.9 million. The turnover of the Group decreased by HK\$17.1 million as compared to that of the six months ended 30th June 2000. Since the Group's major business is securities dealing and margin financing, such significant reduction in turnover was in line with the decrease in the overall market transaction volume of the Hong Kong stock market and the continuous decline of the Hang Seng Index in the period under review. The loss before tax for the six months ended 30th June 2001 increased from HK\$4.0 million in 2000 to HK\$10.9 million in 2001. The loss before tax in current period includes provision for unrealized losses for investments, provision for doubtful debts and financial cost on borrowings.

**FUTURE PROSPECTS**

In view of the incident on 11th September 2001 in the United States of America, the Board anticipates that there will be further weakness in the Hong Kong stock market due to the possible sell down of securities. This would in turn adversely affect the performance of the Group for the second half of the year 2001.

In the longer term we believed that the financial market will stabilize and the Board is optimistic that better result would be attainable once the market returns to normal.

**MANAGEMENT DISCUSSION AND ANALYSIS****Comment on segment information**

During the period under review the turnover of the securities brokering business accounted for over 90% of the turnover of the Group. Geographically, turnover generated by businesses in Hong Kong accounted for more than 90% of the turnover of the Group.

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**Liquidity and capital structure**

The total borrowing of the Group as at 30th June 2001 amounted to HK\$98.7 million of which HK\$87.9 million were inter-company advances from Magnum Group of companies in Malaysia. The bank borrowings as at 30th June 2001 amounted to HK\$10.8 million, a significant reduction when compared to HK\$36.3 million as at 31st December 2000. The cash and cash equivalents as at 30th June 2001 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\$4.7 million, HK\$29.3 million and HK\$5 million respectively were charged to banks to secure the bank borrowings.

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

Gearing ratio is calculated by dividing the long-term debts by the amount of equity. The gearing ratio as at 30th June 2001 was approximately 6.4.

**Significant investment held**

The most significant investment held by the Group as at 30th June 2001 was 755,000 shares of the Hong Kong Exchanges and Clearing Limited ("HKEC"). The investment has recorded unrealized loss due to the poor performance of the share price of HKEC which was in line with the Hong Kong stock market.

**Acquisition and disposal**

During the period under review, there was no acquisition or disposal of any subsidiaries or associates.



**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

**Exposure to fluctuations in exchange rates**

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

**Remuneration of employees**

As at 30th June 2001, the Group had approximately 54 full time employees who were based in Hong Kong and the Philippines. The Group is continually recruiting new sale and marketing staff. The remuneration of employees is reviewed annually. Staff benefits include medical scheme, provident fund, share option scheme and discretionary bonus based on performance.

Apart from the 30,980,000 and 1,440,000 share options granted to directors and employees at the exercise prices of HK\$0.37 and HK\$0.21 respectively in prior year, 6,000,000 share options were granted during the period to a director at an exercise price of HK\$0.10. No share option was exercised during the period under review.

**Interim dividend**

As at 30th June 2001, the Company did not have any reserves available for cash/in specie dividend distribution.

**DIRECTORS' INTERESTS IN SHARES**

As at 30th June 2001, 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") were set out below.

<b>Interests in shares of associated corporation:</b>	<b>Name of director</b>	<b>Class of shares held</b>	<b>Nature of Interest</b>	<b>Number of shares held</b>
Magnum Corporation Berhad ( <i>Note</i> )	Tam Cheek Wing	Ordinary	Personal	5,000
	Lim Yee Sin	Ordinary	Personal	24,000

*Note:* Magnum Corporation Berhad ("MCB") 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**

The Stock Exchange of Hong Kong Limited (the "Exchange") has amended Chapter 17 (Share Schemes) of the Main Board Listing Rules and the rule changes have come into effect on 1st September 2001. The Company has a share option scheme under which the Company may, on or before 29th October 2002, invite any individual participant, employee or 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.

Apart from the 30,980,000 and 1,440,000 share options granted to directors and employees of the Group at the exercise prices of HK\$0.37 and HK\$0.21 respectively in prior year, share options to subscribe for a total of 6,000,000 shares in the Company at an exercise price of HK\$0.10 per share were granted to a director of the Company on 1st June 2001 under the share option scheme of the Company adopted on 30th October 1992. As at 30th June 2001, 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 six months ended 30th June 2001</b>	<b>Number of share options outstanding as at 30th June 2001</b>	<b>Period during which options are exercisable</b>	<b>Exercise price per option share</b>
Lim Teong Leong	6,000,000	6,000,000	2nd December 2001 to 29th October 2002	HK\$0.10
Tam Cheek Wing	—	4,000,000	23rd August 2000 to 22nd August 2002	HK\$0.37
Cheah Yoke Phow	—	2,000,000	23rd August 2000 to 22nd August 2002	HK\$0.37

**DIRECTORS' RIGHTS TO ACQUIRE SHARES** (continued)

<b>Name of director</b>	<b>Number of share options granted during the six months ended 30th June 2001</b>	<b>Number of share options outstanding as at 30th June 2001</b>	<b>Period during which options are exercisable</b>	<b>Exercise price per option share</b>
Ooi Sin Heng	—	2,000,000	23rd August 2000 to 22nd August 2002	HK\$0.37
Chan Hon Ming	—	2,000,000	23rd August 2000 to 22nd August 2002	HK\$0.37

Other than the foregoing, at no time during the six months ended 30th June 2001 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.

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

**SUBSTANTIAL SHAREHOLDERS**

As at 30th June 2001, 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.



### **SUBSTANTIAL SHAREHOLDERS** (continued)

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 period under review.

### **CODE OF BEST PRACTICE**

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 meeting of the Company in accordance with the Company's Bye-laws.

An independent non-executive director retired at the last annual general meeting but did not offer himself for re-election. The Company is currently looking for a replacement. The Company has only one independent non-executive director as at 30th June 2001 and therefore an audit committee could not be formed during the period since 29th May 2001.

Apart from the foregoing, none of the directors of the Company is aware of information which would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2001, in compliance 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.

By order of the Board

**Lim Teong Leong**

*Chairman*

Hong Kong, 18th September 2001