



BUSINESS REVIEW

For the six months ended 30th June 2002, the Group recorded a turnover of HK\$5.7 million and a loss before tax of HK\$5.6 million. The turnover of the Group decreased by HK\$2.6 million as compared to that of the six months ended 30th June 2001. Since our major business is securities dealing and margin financing, such reduction in turnover was in line with the decrease in the overall market transaction volume and the weak performance of the Hong Kong stock market in the period under review. The loss before tax for the six months ended 30th June 2002 was reduced from HK\$10.9 million in 2001 to HK\$5.6 million in 2002. Such improvement is mainly due to better performance of the investments held by the Group and significant reduction in doubtful debt provision for the reporting period.

FUTURE PROSPECTS

In view of the current economic condition, the Board believes it may take time for the economy to recover, especially the stock market and the property market. The Board believes the securities arm can perform much better once the economy improves and the stock market becomes active again.

In the meantime, the Group is constantly looking for new business opportunities but will exercise extra caution in the midst of the current unstable economic environment. The Management continues to carry out and implement plans to strengthen the core business whilst containing costs with the objective of placing the Group on a better footing.

MANAGEMENT DISCUSSION AND ANALYSIS

Comment on segment information

During the period under review the turnover of the securities brokering business accounted for 69% of the turnover of the Group. Geographically, turnover generated by businesses in Hong Kong accounted for more than 95% 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 2002 amounted to HK\$93.7 million of which HK\$87.9 million were inter-company advances from Magnum Group of companies. The bank borrowings as at 30th June 2002 amounted to HK\$5.7 million, a significant reduction when compared to HK\$10.5 million as at 31st December 2001. The cash and cash equivalents as at 30th June 2002 were held in Hong Kong dollars, United States dollars and Philippines pesos and all bank borrowings were in Hong Kong dollars.

Investment properties and bank deposits with carrying values of HK\$30.0 million and HK\$5.0 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 at the balance sheet date was approximately negative 8.4.

Significant investment held

The most significant investment held by the Group at 30th June 2002 was 755,000 shares of the Hong Kong Exchange and Clearing Limited ("HKEC"). The investment has recorded unrealized gain as at 30th June 2002 when compared to that of 31st December 2001.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Acquisition and disposal

On 8th February 2002, applications had been submitted to the Hong Kong Companies Registry to deregister 2 subsidiaries of the Group, Magnum Credit Limited and Lap Shun Trading Co., Limited, since the 2 subsidiaries had ceased to carry on business. Magnum Credit Limited and Lap Shun Trading Co., Limited were dissolved on 21st June 2002.

Apart from the foregoing, during the period under review, there was no acquisition and disposal of any subsidiaries or associates of the Group.

Exposure to fluctuation in exchange rates

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

Remuneration of employees

As at 30th June 2002, we had approximately 31 full time employees who were based in Hong Kong. The Group is continually recruiting new sale and marketing staff. The remuneration of employees is reviewed annually. Staff benefits include a medical scheme, mandatory provident fund, a share option scheme and discretionary bonus based on performance.

Apart from the 30,980,000, 1,400,000 and 6,000,000 share options granted to directors and employees at the exercise prices of HK\$0.37, HK\$0.21 and HK\$0.10 respectively in prior years, no additional share options was granted during the period. In addition, no share option was exercised during the period under review.

Interim dividend

As at 30th June 2002, the Company did not have any reserves available for cash/ in specie dividend distribution.



DIRECTORS' INTERESTS IN SHARES

As at 30th June 2002, the interests of 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.

Interests in shares of associated corporation:

<u>Associated corporation</u>	<u>Name of director</u>	<u>Class of shares held</u>	<u>Nature of Interest</u>	<u>No. of shares held</u>
Magnum Corporation Berhad (Note 1)	Lim Teong Leong	Ordinary	Personal	100,000
	Tam Cheok Wing	Ordinary	Personal	100,000
	Ooi Sin Heng	Ordinary	Personal	66,000
	Gan Cheong Ann	Ordinary	Personal	20,000
	Kwan Huey Jin	Ordinary	Personal	70,000
Magnum4d Berhad (Formerly known as Leisure Management Berhad) (Note 2)	Gan Cheong Ann	Ordinary	Personal	333

Notes:

1. Magnum Corporation Berhad (“MCB”) is the Company’s ultimate holding company.
2. Magnum4d Berhad (Formerly known as Leisure Management Berhad) is a subsidiary of MCB.

The interests of the directors in the share options of the Company or its associated corporations are separately disclosed in the sections “Share option scheme” and “Directors’ rights to acquire shares” below.

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



SHARE OPTION SCHEME

The Stock Exchange of Hong Kong Limited (the “Exchange”) has amended Chapter 17 (Share Option Scheme) of the Main Board Listing Rules which came into effect on 1st September 2001. On 11th June 2002, the Company adopted a new share option scheme (the “New Scheme”) for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group’s operation and enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and Invested Entity. On the same day, the share option scheme adopted by the Company on 30th October 1992 (the “Old Scheme”) was terminated.

No share options are granted and outstanding under the New Scheme as at 30th June 2002 since its adoption.

Upon termination of the Old Scheme on 11th June 2002, any options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. No share options were granted, exercised or cancelled under the Old Scheme during the period. The following share options were outstanding under the Old Scheme during the period.

Name of categories of participant	Number of share options			Date of grant of share options*	Exercise price of share options	Exercise price of share options (HK\$)
	At 1st January 2002	Lapsed during the period	At 30th June 2002			
Directors						
Lim Teong Leong	6,000,000	—	6,000,000	1st June 2001	2nd December 2001 to 29th October 2002	0.10
Tam Cheuk Wing	4,000,000	—	4,000,000	22th February 2000	23rd August 2000 to 22nd August 2002	0.37
Ooi Sin Heng	2,000,000	—	2,000,000	22th February 2000	23th August 2000 to 22th August 2002	0.37
Chan Hon Ming	2,000,000	—	2,000,000	22th February 2000	23th August 2000 to 22nd August 2002	0.37
Other employees						
In aggregate	10,450,000	750,000	9,700,000	22nd February 2000	23rd August 2000 to 22nd August 2002	0.37
	1,390,000	190,000	1,200,000	11th October 2000	12th April 2001 to 29th October 2002	0.21
	<u>25,840,000</u>	<u>940,000</u>	<u>24,900,000</u>			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Associated corporation:

Pursuant to the employees' share option scheme of MCB, certain directors of the Company have been granted options of MCB's ordinary shares. At 30th June 2002, the interests of directors of the Company and their associates in the share options of MCB are as follows:

Name of director	Number of Share options held as at 30th June 2002	Date granted	Period during which options are exercisable	Exercise price per share (Malaysian Ringgit)
Lim Teong Leong	900,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
Tam Cheok Wing	680,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
Ooi Sin Heng	536,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
Gan Cheong Ann	710,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
	100,000	27th February 2002	27th February 2002 to 15th July 2006	2.14
Kwan Huey Jin	598,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
	100,000	27th February 2002	27th February 2002 to 15th July 2006	2.14

Apart from that as disclosed under the heading "Share option scheme" and the above, at no time during the six months ended 30th June 2002 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.



SUBSTANTIAL SHAREHOLDERS

As at 30th June 2002, 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:

<u>Name of Shareholder</u>	<u>Number of shares held</u>
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 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.

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 2002, 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 ("the Code").



AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprised the two independent non-executive directors of the Company.

The unaudited interim financial statements for the six months ended 30th June 2002 have been reviewed by the Audit Committee.

By order of the Board

Lim Teong Leong

Chairman

Hong Kong, 12th September 2002