

BUSINESS REVIEW

For the six months ended 30th June 2003, the Group recorded a turnover of HK\$3.3 million and a loss before tax of HK\$7.3 million. The turnover of the Group decreased by HK\$2.4 million as compared to that of the six months ended 30th June 2002. Such reduction was in line with the decrease in the overall market transaction volume as a result of weak performance of the Hong Kong stock market especially during the period of the outbreak of the Severe Acute Respiratory Syndrome ("SARS") and the Iraq war.

The loss before tax for the six months ended 30th June 2003 increased to HK\$7.3 million from HK\$5.6 million in 2002. Such increase in loss before tax was mainly because of the reduction in brokerage turnover in the period reported.

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FUTURE PROSPECTS

Although some of the economic activities seem to be recovering after the SARS, the overall economic condition of Hong Kong is still unfavourable. The passive stock market and weak property market, deflation, high unemployment rate, high bankruptcy rate, low domestic spending and uncertain global environment represent challenges to the business growth of the Group. In view of the present business environment, the Board remains cautious and management will continue to implement proactive plans to strengthen the core business of the Group whilst containing costs with the objective of placing the Group on a stronger footing.

The Group is also constantly looking for new business opportunities and will exercise extra caution in doing so, in the midst of the current unstable economic environment.

As the economy gradually improves and market sentiment picks up, your Board believes that the Group can achieve better results in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Comment on segment information

During the period under review, the turnover of the securities brokering business accounted for over 50% of the turnover of the Group. Geographically, the turnover generated by businesses in Hong Kong accounted for all the turnover of the Group.

Liquidity and capital structure

The total borrowings of the Group as at 30th June 2003 amounted to HK\$90.6 million, of which HK\$87.9 million were intercompany advances from Magnum Corporation Berhad Group in Malaysia. The bank borrowings as at 30th June 2003 amounted to HK\$2.7 million, which were reduced further when compared to the amount of HK\$3.8 million as at 31st December 2002. The cash and cash equivalents as at 30th June 2003 were mainly held in Hong Kong dollars. Small amounts of cash were in United States dollars and Philippines pesos and all bank borrowings were in Hong Kong dollars.

The Company's holding companies, including Magnum Corporation Berhad, have agreed in writing to provide adequate financial support to enable the Group to operate as a going concern.

Investment properties and bank deposits with carrying values of HK\$27.8 million and HK\$5.0 million respectively were charged to banks to secure the above-mentioned bank borrowings.

The main funding of the Group is from 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 long-term debts by the amount of equity. The gearing ratio at the balance sheet date was approximately negative 2.56.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Significant investment held

The most significant investment held by the Group as at 30th June 2003 was 755,000 shares of the Hong Kong Exchanges and Clearing Limited ("HKEC"). The investment has recorded an unrealised gain for six months ended 30th June 2003 due to the improved performance of the share price of HKEC.

Acquisition and disposal

On 1st May 2003, Fixtron Limited, a wholly owned subsidiary of the Group, was struck-off from the register of the British Virgin Islands Companies Registry.

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

Exposure to fluctuation 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 2003, the Group had approximately 30 full-time employees who were all based in Hong Kong. The Group continuously recruits new account executives. The remuneration of employees is reviewed annually. Staff benefits include a medical scheme, provident fund, a share option scheme and a discretionary bonus based on performance.

During the six months ended 30th June 2003, no share options were granted or exercised. 450,000 share options lapsed during the period and 15,228,000 share options, which were withdrawn by the directors in 2002, were cancelled on 10th June 2003 as mentioned in the 2002 Annual Report of the Company.

INTERIM DIVIDEND

As at 30th June 2003, the Company did not have any reserves available for cash/ in specie dividend distribution.

DIRECTORS' INTERESTS IN SHARES

As at 30th June 2003, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Interests in shares of associated corporation	Name of director	Class of shares held	Nature of Interest	Interest in shares <i>(Note 3)</i>
Magnum Corporation Berhad <i>(Note 1)</i>	Lim Teong Leong	Ordinary	Personal	1,000,000
	Tam Cheok Wing	Ordinary	Personal	730,000
	Ooi Sin Heng	Ordinary	Personal	332,000
	Gan Cheong Ann	Ordinary	Personal	760,000
	Kwan Huey Jin	Ordinary	Personal	648,000
Magnum 4D Berhad <i>(Note 2)</i>	Gan Cheong Ann	Ordinary	Personal	555

Notes:

1. Magnum Corporation Berhad ("MCB") is the Company's ultimate holding company.
2. Magnum 4D Berhad is a subsidiary of MCB.
3. The interest in shares represents both interest in ordinary shares and interest in share options of the respective companies. The number of share options are further disclosed in the following section "DIRECTORS' RIGHT TO ACQUIRE SHARES".

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Associated corporation:

Pursuant to the employees' share option scheme of MCB (the "MCB Share Option Scheme"), certain directors of the Company have been granted options on MCB's ordinary shares. At 30th June 2003, the interests of the directors of the Company and their associates in the share options of MCB are as follows:

Name of directors	Number of share options			Date of grant of share options	Exercised during the period	Exercise price of share options* RM
	At 1st January 2003	Exercise period of share options	At 30th June 2003			
Lim Teong Leong	900,000	—	900,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
Tam Cheek Wing	680,000	(40,000)	640,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
Ooi Sin Heng	438,000	(166,000)	272,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
Gan Cheong Ann	660,000	(50,000)	610,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
	100,000	—	100,000	27th February 2002	27th February 2002 to 15th July 2006	2.14
Kwan Huey Jin	598,000	(110,000)	488,000	16th July 2001	16th July 2001 to 15th July 2006	1.26
	100,000	—	100,000	27th February 2002	27th February 2002 to 15th July 2006	2.14
	3,476,000	(366,000)	3,110,000			

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in MCB's share capital.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES (continued)

Associated corporation: (continued)

Apart from that disclosed under the heading "SHARE OPTION SCHEME" and the above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 11th June 2002, the Company adopted a new share option scheme (the "Scheme"). The following share options were outstanding under the Scheme during the period.

Name of categories of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options* (HK\$)
	At 1st January 2003	Lapsed during the period	At 30th June 2003			
Directors						
Chan Hon Ming	3,000,000	—	3,000,000	8th July 2002	8th July 2002 to 7th July 2012	0.111
Other employees						
In aggregate	18,450,000	(450,000)	18,000,000	8th July 2002	8th July 2002 to 7th July 2012	0.111
	21,450,000	(450,000)	21,000,000			

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Company's share capital.

management statement

MAGNUM INTERNATIONAL HOLDINGS LIMITED

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2003, the interests of persons, other than the directors, in 5% 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 336 of the SFO are as follows:

Name of shareholder	Number of shares held	Percentage of the Company's issued capital
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Magnum Corporation Berhad	316,973,680	51.54
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The 316,973,680 shares are directly held by Magnum (Guernsey) Limited which 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 the SFO.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the interim report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

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 comprises the two independent non-executive directors of the Company.

The unaudited interim financial statements for the six months ended 30th June 2003 have been reviewed by the Audit Committee.

By order of the Board

Lim Teong Leong

Chairman

Hong Kong, 17th September 2003