

Notes to Financial Statements

25 ►►

31st December 2003

1. Corporate information

During the year the Group was involved in the following principal activities:

- securities dealing and brokerage
- money lending
- property investment

In the opinion of the directors, the ultimate holding company is Magnum Corporation Berhad, which is incorporated and listed in Malaysia.

2. Basis of presentation

The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$11,596,307 for the year ended 31st December 2003 (2002: HK\$22,041,549 (restated)). As at the balance sheet date, the Group had consolidated net current assets of HK\$3,507,082 (2002: HK\$28,051,849) and a consolidated deficiency in assets of HK\$39,078,068 (2002: HK\$27,481,761 (restated)). The Company's holding companies, including Magnum Corporation Berhad, have agreed in writing to provide adequate financial support to the Group to enable it to operate as a going concern. The Company's holding companies have also agreed not to demand for the repayment of the amounts due by the Group, in the aggregate amount of HK\$73,919,147 as at the balance sheet date, until such time when the Group is in a position to repay the amounts due without impairing its liquidity position. After taking into consideration the financial support provided by the Company's holding companies as mentioned above, and the consolidated net current assets of the Group of HK\$3,507,082 at the balance sheet date, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

3. Impact of a revised Hong Kong Statement of Standard Accounting Practice ("SSAP")

The revised SSAP 12 "Income tax" is effective for the first time for the current year's financial statements.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

▶▶ 26 Notes to Financial Statements (continued)

31st December 2003

3. Impact of a revised Hong Kong Statement of Standard Accounting Practice ("SSAP") (continued)

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future.

Disclosures:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 11 and 28 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 4 and in note 28 to the financial statements.

4. Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain equity investments and investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Notes to Financial Statements (continued)

27 ►►

31st December 2003

4. Summary of significant accounting policies (continued)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivables. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

▶▶ 28 Notes to Financial Statements (continued)

31st December 2003

4. Summary of significant accounting policies (continued)

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture and fixtures	20%
Motor vehicles	25%
Computers and equipment	30%-33%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

In the prior years, certain leasehold land and buildings, other than investment properties, were stated at valuation. These leasehold land and buildings were transferred to investment properties in the prior years and the corresponding revaluation reserves were frozen at the time of such transfers. Upon disposal of these assets, these revaluation reserves are realised and transferred to retained earnings as a movement in reserves.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Notes to Financial Statements (continued)

29 ►►

31st December 2003

4. Summary of significant accounting policies (continued)

Investment properties (continued)

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

The intangible assets, representing the eligibility right to trade on or through The Stock Exchange of Hong Kong Limited and The Philippines Stock Exchange, Inc. are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of ten years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

▶▶ 30 Notes to Financial Statements (continued)

31st December 2003

4. Summary of significant accounting policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences in respect of taxable temporary differences associated with 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 assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- commission income on securities dealings, on a trade date basis;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

Notes to Financial Statements (continued)

31 ►►

31st December 2003

4. Summary of significant accounting policies (continued)

Revenue recognition (continued)

- rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms; and
- dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Hong Kong Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of services to the Group, to the balance sheet date, in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

▶▶ 32 Notes to Financial Statements (continued)

31st December 2003

4. Summary of significant accounting policies (continued)

Employee benefits (continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at bank, including term deposits, which are not restricted as to use.

Notes to Financial Statements (continued)

33 ►►

31st December 2003

4. Summary of significant accounting policies (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

5. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of services provided. Each of the Group's business segments represents a strategic business unit that offers different types of services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- The securities dealing and margin finance segment provides securities dealing services in acquiring, disposing of and subscribing for securities listed on the Stock Exchange and other overseas markets and financial accommodation to facilitate the trading of these marketable securities.
- The consumer finance segment comprises the granting of personal loans.
- The property holding segment involves in property investment.

▶▶ 34 Notes to Financial Statements (continued)

31st December 2003

5. Segment information (continued)

In determining the Group's geographical segments and revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments.

	Securities dealing and margin finance		Consumer finance		Property holding		Elimination		Consolidated	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$ (Restated)
Segment revenue:										
Services provided to external customers	4,792,621	6,471,998	700,000	762,260	2,333,873	2,685,841	—	—	7,826,494	9,920,099
Other revenue	570,329	634,114	—	780	835	—	—	—	571,164	634,894
Total revenue	5,362,950	7,106,112	700,000	763,040	2,334,708	2,685,841	—	—	8,397,658	10,554,993
Segment results	(681,117)	(8,113,532)	(900,908)	(5,494,384)	(811,583)	(1,025,545)	—	2,425,147	(2,393,608)	(12,208,314)
Unallocated revenue and gains									65,176	325,139
Unallocated expenses									(2,808,667)	(3,401,554)
Finance costs									(5,137,099)	(15,284,729)
Loss before tax									(6,385,145)	(6,554,481)
Tax									(11,522,244)	(21,839,210)
Net loss from ordinary activities attributable to shareholders									(74,063)	(202,339)
									(11,596,307)	(22,041,549)

▶▶ 36 Notes to Financial Statements (continued)

31st December 2003

5. Segment information (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Philippines		Elimination		Consolidated	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Segment revenue:								
Services provided to external customers	7,826,494	9,920,099	—	—	—	—	7,826,494	9,920,099
Other revenue	636,001	654,220	339	305,813	—	—	636,340	960,033
Total revenue	8,462,495	10,574,319	339	305,813	—	—	8,462,834	10,880,132
Other geographical information:								
Segment assets	93,068,158	96,568,956	9,120,229	9,568,761	(6,282,703)	(6,559,881)	95,905,684	99,577,836
Capital expenditure	67,925	21,237	—	—	—	—	67,925	21,237

6. Turnover

The current year's turnover represents commission and interest income from securities dealing and margin finance, interest income from consumer finance and property rental income.

An analysis of turnover is as follows:

	Group	
	2003 HK\$	2002 HK\$
Commission and interest income from securities dealing and margin finance	4,792,621	6,471,998
Interest income from consumer finance	700,000	762,260
Property rental income	2,333,873	2,685,841
Total	7,826,494	9,920,099

Notes to Financial Statements (continued)

37 ►►

31st December 2003

7. Loss from operating activities

This is arrived at after charging:

	Group	
	2003 HK\$	2002 HK\$
Exchange losses, net	108,804	—
Depreciation	425,924	892,019
Minimum lease payments under operating leases on land and buildings	1,333,736	1,404,385
Amortisation of intangible assets*	505,910	505,910
Write-off of fixed assets	5,328	—
Loss on disposal of listed equity investments	15,700	—
Staff costs (including directors' remuneration — note 9):		
Wages and salaries	7,429,375	7,506,382
Pension contributions	289,484	328,182
	7,718,859	7,834,564
Auditors' remuneration	680,000	680,000
and after crediting:		
Gross rental income	2,333,873	2,685,841
Less: Outgoings	(89,786)	(74,352)
Net rental income	2,244,087	2,611,489
Exchange gains, net	—	234,115
Dividend income from listed investments	475,963	249,287
Interest income	2,536,918	3,855,405
Gain on disposal of fixed assets	—	72,044
Gain on disposal of listed equity investments	—	44,344

* The amortisation of the intangible assets for the year is included under "Other operating expenses" in the consolidated profit and loss account.

▶▶ 38 Notes to Financial Statements (continued)

31st December 2003

8. Finance costs

	Group	
	2003 HK\$	2002 HK\$
Interest on bank loans and overdrafts wholly repayable within five years	183,313	472,180
Interest expense on amounts due to holding companies and a fellow subsidiary	7,016,419	7,031,936
	7,199,732	7,504,116

9. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2003 HK\$	2002 HK\$
Fees	—	180,000
Other emoluments:		
Salaries, allowances and benefits in kind	1,882,666	1,887,260
Bonuses	354,815	354,815
Pension scheme contributions	84,963	84,963
	2,322,444	2,327,038
	2,322,444	2,507,038

During the year, no directors' fees (2002: HK\$60,000) were payable to the independent non-executive directors.

Notes to Financial Statements (continued)

31st December 2003

39 ►►

9. Directors' remuneration (continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil — HK\$1,000,000	5	5
HK\$1,500,001 — HK\$2,000,000	1	1
	6	6

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

10. Five highest paid employees

The five highest paid employees during the year included two (2002: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2002: three) non-director, highest paid employees for the year are set out below:

	Group	
	2003 HK\$	2002 HK\$
Salaries, allowances and benefits in kind	1,245,247	1,297,095
Bonuses	95,180	95,180
Pension scheme contributions	57,108	56,728
	1,397,535	1,449,003

The remuneration of each of the non-director, highest paid employees fell within the band of nil to HK\$1,000,000 for the two years ended 31st December 2003 and 2002.

▶▶ 40 Notes to Financial Statements (continued)

31st December 2003

11. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2003.

	Group	
	2003 HK\$	2002 HK\$ (Restated)
Hong Kong profits tax:		
Provision for the year	—	130,138
Prior year underprovision	—	21,632
Deferred tax — note 28	74,063	50,569
Tax charge for the year	74,063	202,339

A reconciliation of the tax expense applicable to loss before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2003		2002	
	HK\$	%	HK\$	%
Loss before tax	(11,522,244)		(21,839,210)	
Tax at the statutory tax rate of 17.5% (2002: 16%)	(2,016,393)	(17.5)	(3,494,274)	(16.0)
Effect on opening deferred tax of increase in rate	26,011	0.2	—	—
Adjustments in respect of current tax of previous periods	—	—	21,632	0.1
Income not subjected to tax	(1,312,419)	(11.4)	(820,317)	(3.8)
Expenses not deductible for tax	2,164,075	18.8	2,937,615	13.5
Tax losses not recognised	1,212,789	10.5	1,557,683	7.1
Tax charge at the Group's effective rate	74,063	0.6	202,339	0.9

Notes to Financial Statements (continued)

41 ►►

31st December 2003

12. Net loss from ordinary activities attributable to shareholders

The net loss from ordinary activities attributable to shareholders for the year ended 31st December 2003 dealt with in the financial statements of the Company is HK\$28,998,322 (2002: HK\$22,406,688).

13. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$11,596,307 (2002: HK\$22,041,549 (restated)) and the weighted average of 615,024,175 (2002: 615,024,175) ordinary shares in issue throughout the year.

Diluted loss per share for the years ended 31st December 2003 and 2002 have not been disclosed, as no anti-dilutive events existed during the years.

14. Discontinued operations

On 3rd December 2001, the Company publicly announced the decision on its board of directors to discontinue the securities dealing and brokerage businesses in the Philippines. The Group planned to discontinue such operation by selling its assets and settling its liabilities in an orderly manner. The securities dealing and brokerage businesses in the Philippines represented a separate geographical area of operation of the Group.

During the year ended 31st December 2002, the Group had substantially disposed of the assets and settled the liabilities of the operation in the Philippines except for trading right (the "PSE Trading Right") and the shares (the "PSE Shares") of the Philippines Stock Exchange, Inc. The Group had decided to hold the PSE Trading Right and the PSE Shares as investments of the Group. Therefore, the directors consider that the discontinuance was completed before 31st December 2002.

▶▶ 42 Notes to Financial Statements (continued)

31st December 2003

14. Discontinued operations (continued)

The turnover, other revenue, expenses and results of the securities dealing and brokerage businesses in the Philippines for the year ended 31st December 2002 were as follows:

	HK\$
Turnover	—
Other revenue and gains	305,814
Administrative expenses	(276,409)
Other operating income, net	198,566
Write back of provision for doubtful debts	496,868
Unrealised holding gains on short term investments	882,353
Impairment of intangible assets	(1,904,412)
Net loss from ordinary activities attributable to shareholders	(297,220)

The carrying amounts of the total assets and liabilities relating to the discontinued operations at 31st December 2002 were as follows:

	HK\$
Total assets*	6,921,702
Total liabilities	(447,814)
Net assets	6,473,888

* As at 31st December 2002, the balance included an amount due from a group company of HK\$6,559,881 which was eliminated on consolidation. The PSE Trading Right and the PSE Shares, with an aggregate amount of HK\$2,647,059, were not included in the balance as at 31st December 2002 since these assets were held by the Group for investment purpose.

Notes to Financial Statements (continued)

43 ►►

31st December 2003

15. Fixed assets

Group

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Computers and equipment HK\$	Total HK\$
Cost:					
At beginning of year	1,668,909	1,749,084	650,000	1,696,496	5,764,489
Additions	50,000	12,880	—	5,045	67,925
Write-off	—	(351,671)	—	(811,129)	(1,162,800)
Exchange realignment	—	(18,472)	—	(1,087)	(19,559)
At 31st December 2003	1,718,909	1,391,821	650,000	889,325	4,650,055
Accumulated depreciation:					
At beginning of year	1,386,759	1,676,801	650,000	1,388,824	5,102,384
Provided during the year	162,030	56,957	—	206,937	425,924
Write-off	—	(346,343)	—	(811,129)	(1,157,472)
Exchange realignment	—	(18,472)	—	(1,087)	(19,559)
At 31st December 2003	1,548,789	1,368,943	650,000	783,545	4,351,277
Net book value:					
At 31st December 2003	170,120	22,878	—	105,780	298,778
At 31st December 2002	282,150	72,283	—	307,672	662,105

16. Investment properties

	Group	
	2003 HK\$	2002 HK\$
At beginning of year, at valuation	28,130,000	30,000,000
Reclassified from fixed assets	—	222,498
Deficit on revaluation	(1,120,000)	(2,092,498)
At 31st December	27,010,000	28,130,000

▶▶ 44 Notes to Financial Statements (continued)

31st December 2003

16. Investment properties (continued)

The investment properties are all situated in Hong Kong.

At 31st December 2003, the investment properties were valued by Vigers Hong Kong Limited, an independent professionally qualified valuers, on an open market existing use basis, at HK\$27,010,000.

All the investment properties of the Group are leased to third parties under operating leases, further summary details of which are included in note 33 to the financial statements.

Certain investment properties of the Group with carrying amounts of HK\$26,710,000 (2002: HK\$27,830,000) were pledged to banks to secure banking facilities granted to the Group as further set out in notes 24 and 34 to the financial statements.

Particulars of the investment properties are as follows:

Location	Approximate floor area	Existing use	Lease term	Group interest
a. Flat A & Flat B of 4th Floor and Roof thereto, Front Block, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Hong Kong (76/2260th shares of and in Kwun Tong Inland Lot No. 83)	19,622 sq. ft.	Commercial	Medium	100%
b. Flat A & Flat B of 7th Floor, Front Block, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Hong Kong (76/2260th shares of and in Kwun Tong Inland Lot No. 83)	16,818 sq. ft.	Commercial	Medium	100%
c. 4th Floor of Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Hong Kong (94/3190th shares of and in Kwun Tong Inland Lot Nos. 51 and 52)	5,997 sq. ft.	Commercial	Medium	100%
d. Office 1 on 1st Floor, GITIC Centre, No. 28 Queen's Road East, Wan Chai, Hong Kong (15/1386th parts or shares of and in Sections B, C, D, E, F, G and Remaining Portion of Sub-section 106 of Section A of Marine Lot No. 65 and Sub-sections 3 and 4 of Section A of Marine Lot No. 65)	1,188 sq. ft.	Commercial	Long	100%

Notes to Financial Statements (continued)

45 ►►

31st December 2003

16. Investment properties (continued)

Location	Approximate floor area	Existing use	Lease term	Group interest
e. Apartment A on 20th Floor, Car Parking Space No. 172, 1st Floor, South Bay Towers, No. 59 South Bay Road, South Bay, Island South, Hong Kong (105/16026th shares of and in Rural Building Lot No. 1049)	2,545 sq. ft.	Residential	Long	100%
f. Car Parking Space No. 1, 1st Floor, King Yip Factory Building, No. 59 King Yip Street Kowloon, Hong Kong (Kwun Tong Inland Lot No. 70)	N/A	N/A	Medium	100%

17. Interests in subsidiaries

	Company	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	143,919,955	143,919,955
Less: Provision for impairment	(135,378,190)	(134,596,104)
	8,541,765	9,323,851
Amounts due from subsidiaries	296,716,515	300,944,947
Less: Provisions for amounts due from subsidiaries	(248,842,157)	(225,356,642)
	47,874,358	75,588,305
Amounts due to subsidiaries	(54,665,484)	(54,942,662)
	1,750,639	29,969,494

The balances with subsidiaries are unsecured, interest-free and not repayable within one year.

▶▶ 46 Notes to Financial Statements (continued)

31st December 2003

17. Interests in subsidiaries (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Watary Investments Limited	British Virgin Islands/ Hong Kong	US\$36,000	100	—	Investment holding
Magnum International Holdings Services Limited	Hong Kong	HK\$2	—	100	Provision of administrative services
Lismore Properties Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment and investment holding
Ongreat Properties Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Continuous Gain Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Jenpoint Limited	Hong Kong	HK\$2	—	100	Trading of marketable securities
Wolston Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Magnum International Finance Limited	Hong Kong	HK\$10,000,000	—	100	Money lending
Magnum International Securities Limited	Hong Kong	HK\$37,510,000	—	100	Securities dealing and margin finance
Magnum Financial Services Holdings Limited	British Virgin Islands/ Hong Kong	US\$2	100	—	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements (continued)

47 ►►

31st December 2003

18. Intangible assets

	Group HK\$
<hr/>	
Cost:	
At beginning of year	8,728,218
Exchange realignment	(155,034)
<hr/>	
At 31st December 2003	8,573,184
<hr/>	
Accumulated amortisation and impairment:	
At beginning of year	3,295,664
Impairment during the year recognised in the profit and loss account	475,352
Amortised during the year	505,910
Exchange realignment	(80,468)
<hr/>	
At 31st December 2003	4,196,458
<hr/>	
Net book value:	
At 31st December 2003	4,376,726
<hr/> <hr/>	
At 31st December 2002	5,432,554
<hr/> <hr/>	

The impairment in value of intangible assets arose from the directors' assessment of the estimated realisable value of the intangible assets with reference to the prevailing market conditions.

▶▶ 48 Notes to Financial Statements (continued)

31st December 2003

19. Accounts receivable/accounts payable and accrued liabilities

- (a) The credit terms provided to customers are consistent with the practice of the securities dealing industry. Details of the accounts receivable of the Group as at the balance sheet date, based on transaction date and net of provisions, are as follows:

Accounts receivable:

	Group	
	2003 HK\$	2002 HK\$
Not yet due	3,213,057	1,075,631
0 – 30 days	4,078,434	803,974
Over 30 days	—	56,703
	7,291,491	1,936,308

- (b) Details of the accounts payable and accrued liabilities of the Group as at the balance sheet date are as follows:

Accounts payable:

	Group	
	2003 HK\$	2002 HK\$
Not yet due	3,504,927	1,333,866
0 – 30 days	1,133,503	677,334
Over 30 days	1,207,325	1,005,449
	5,845,755	3,016,649
Accrued liabilities	38,945,973	31,930,123
	44,791,728	34,946,772

Notes to Financial Statements (continued)

31st December 2003

49 ►►

20. Short term investments

	Group	
	2003 HK\$	2002 HK\$
Listed equity investments, at market value:		
Hong Kong	13,321,250	7,951,600
Elsewhere	1,477,260	76,000
	14,798,510	8,027,600
Unlisted equity investments, at fair value	—	882,353
	14,798,510	8,909,953

21. Client trust bank accounts

Client trust bank accounts represent clients' trust monies kept in the trust bank accounts of a subsidiary engaged in the securities dealing business. The application of amounts maintained in such trust bank accounts is prescribed by the Securities and Futures Ordinance.

22. Fixed deposit, pledged

The amount represents a bank deposit which is pledged to a bank to secured a bank overdraft facility of HK\$6,000,000 (2002: HK\$8,000,000) granted to the Group of which HK\$307,658 (2002: Nil) had been utilised at the balance sheet date (note 24).

▶▶ 50 Notes to Financial Statements (continued)

31st December 2003

23. Cash and cash equivalents

Cash and cash equivalents represent cash and bank balances which are not restricted as to use.

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Cash and bank balances	1,498,718	2,258,430	11,967	13,837
Time deposit, non-pledged	—	19,000,000	—	—
	1,498,718	21,258,430	11,967	13,837

24. Bank loans and overdrafts, secured

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Mortgage loans	1,561,678	3,786,096	1,561,678	3,786,096
Bank overdrafts	307,658	—	—	—
Total bank borrowings	1,869,336	3,786,096	1,561,678	3,786,096
Portion classified as current liabilities	(1,869,336)	(2,224,418)	(1,561,678)	(2,224,418)
Long term portion	—	1,561,678	—	1,561,678
The maturities of bank borrowings are as follows:				
Within one year	1,869,336	2,224,418	1,561,678	2,224,418
In the second year	—	1,561,678	—	1,561,678
	1,869,336	3,786,096	1,561,678	3,786,096

Details of the assets pledged as security for the Group's banking borrowings are set out in note 34 to the financial statements.

Notes to Financial Statements (continued)

51 ►►

31st December 2003

25. Amount due to a fellow subsidiary

The balance is unsecured, bears interest at rates ranging from 0.66% to 0.96% (2002: 0.96% to 1.3%) per annum and has no fixed terms of repayment (2002: not repayable within one year).

26. Amount due to the immediate holding company

The short-term balance included in current liabilities is unsecured, bears interest at 7% (2002: Nil) per annum and has no fixed terms of repayment.

The long-term balance included in non-current liabilities is unsecured and not repayable within one year. Except for an amount of HK\$2,017,647 (2002: HK\$2,017,647) which is interest-free, the remaining balance bears interest at 7% (2002: 7%) per annum.

27. Amount due to an intermediate holding company

The balance is unsecured, bears interest at rates ranging from 6.5% to 6.9% (2002: 6.9%) per annum and is not repayable within one year.

▶▶ 52 Notes to Financial Statements (continued)

31st December 2003

28. Deferred tax liabilities

The movement in the Group's deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation HK\$
<hr/>	
At 1st January 2002	
As previously reported	—
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	226,875
	<hr/>
As restated	226,875
Deferred tax debited to the profit and loss account during the year — note 11	50,569
	<hr/>
At 31st December 2002	277,444
<hr/>	
At 1st January 2003	
As previously reported	—
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	277,444
	<hr/>
As restated	277,444
Deferred tax debited to the profit and loss account during the year, including a charge of HK\$26,011 due to the effect of a change in tax rate — note 11	74,063
	<hr/>
At 31st December 2003	351,507
<hr/>	

The Group has tax losses arising in Hong Kong of HK\$167,977,354 (2002: HK\$161,047,129) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

Notes to Financial Statements (continued)

53 ►►

31st December 2003

28. Deferred tax liabilities (continued)

SSAP 12 (revised) was adopted during the year, as further explained in note 3 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax liabilities as at 31st December 2003 and 2002 by HK\$351,507 and HK\$277,444, respectively. As a consequence, the consolidated net losses attributable to shareholders for the years ended 31st December 2003 and 2002 have been increased by HK\$74,063 and HK\$50,569, respectively, and the consolidated accumulated losses at 1st January 2003 and 2002 have been increased by HK\$277,444 and HK\$226,875, respectively, as detailed in the consolidated statement of changes in equity.

29. Share capital**Shares**

	2003 HK\$	2002 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000,000	100,000,000
Issued and fully paid:		
615,024,175 ordinary shares of HK\$0.10 each	61,502,418	61,502,418

There were no movements in the Company's share capital during either the current or prior years.

Share options

Details of the Company's share option scheme are included in note 30 to the financial statements.

▶▶ 54 Notes to Financial Statements (continued)

31st December 2003

30. Share option scheme

On 11th June 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

(a) Summary of the share option scheme under the Group is set out as follows:

The Scheme	
Purpose	Provide incentives and rewards to eligible participants.
Participants	<p>Eligible participants include:</p> <ul style="list-style-type: none"> (i) employees (whether full-time or part-time employees, including any executive directors but not any non-executive director) of the Company and its subsidiaries; (ii) any non-executive director (including independent non-executive directors) of the Company and its subsidiaries; (iii) any supplier of goods or services to any member of the Group; (iv) any customer of the Group; (v) any person or entity that provides research, development or other technological support to the Group; and (vi) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group.

Notes to Financial Statements (continued)

55 ►►

31st December 2003

30. Share option scheme (continued)

The Scheme	
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	61,502,417 ordinary shares, being 10% of the issued share capital.
Maximum entitlement of each participant	The maximum number of ordinary shares shall not exceed 1% of the issued ordinary share capital of the Company in issue in any 12-month period.
Period within which the securities must be taken up under an option	Subject to the board of directors' discretion on issuance.
Minimum period for which an option must be held before it can be exercised	Not applicable.
Amount payable on acceptance	HK\$1.00
Period within which payments/calls/loans must be made/repaid	Not applicable.
Basis of determining the exercise price	Determined by the directors at their discretion and shall not be lower than the highest of: <ul style="list-style-type: none"> (i) the closing price of the ordinary shares on the Stock Exchange at the offer date, which must be a trading day; (ii) the average closing price of the ordinary shares on the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share.

▶▶ 56 Notes to Financial Statements (continued)

31st December 2003

30. Share option scheme (continued)

The Scheme	
The remaining life of the scheme	The scheme will be valid and effective until 7th July 2012, after which no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and remain unexercised immediately prior to 7th July 2012 shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the Scheme.

(b) The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options			At 31st December 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$	Price of Company's shares** At grant date of options
	At 1st January 2003	Granted during the year	Lapsed during the year					
Directors								
Chan Hon Ming	3,000,000	—	—	3,000,000	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
Other employees								
In aggregate	18,450,000	—	(900,000)	17,550,000	8th July 2002	8th July 2002 to 7th July 2012	0.111	0.104
	21,450,000	—	(900,000)	20,550,000				

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

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

The share options do not confer rights on the holders to dividends or to vote at shareholders meetings.

At the balance sheet date, the Company had 20,550,000 share options outstanding under the Scheme. The exercise in full of these remaining share options would, under the present capital structure of the Company, result in the issue of 20,550,000 additional ordinary shares of the Company and additional share capital of HK\$2,055,000 and share premium of HK\$226,050 (before issue expenses).

Notes to Financial Statements (continued)

57 ►►

31st December 2003

31. Reserves**(a) Group**

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in the equity on page 21 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 30th October 1992 over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium account HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At 1st January 2002	168,315,330	95,165,446	(330,593,146)	(67,112,370)
Net loss for the year	—	—	(22,406,688)	(22,406,688)
At 31st December 2002 and 1st January 2003	168,315,330	95,165,446	(352,999,834)	(89,519,058)
Net loss for the year	—	—	(28,998,322)	(28,998,322)
At 31st December 2003	168,315,330	95,165,446	(381,998,156)	(118,517,380)

The Company's contributed surplus represents the excess of the fair values of the shares of the subsidiaries acquired pursuant to the reorganisation referred to in note 31(a), over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances, but the Company does not presently qualify to do so.

▶▶ 58 Notes to Financial Statements (continued)

31st December 2003

32. Contingent liabilities

	Company	
	2003 HK\$	2002 HK\$
Guarantees given to a bank in connection with facilities granted to a subsidiary	62,000,000	62,000,000

As at 31st December 2003, HK\$307,658 (2002: Nil) of the banking facilities granted to a subsidiary were utilised.

Save as disclosed above, neither the Group nor the Company had any significant contingent liabilities as at the balance sheet date.

33. Operating lease arrangements

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of the leases generally also require tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31st December 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003 HK\$	2002 HK\$
Within one year	1,921,232	1,812,208
In the second to fifth years, inclusive	878,000	359,500
	2,799,232	2,171,708

(b) As lessee

The Group leases certain of its office and residential properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

Notes to Financial Statements (continued)

59 ►►

31st December 2003

33. Operating lease arrangements (continued)

(b) As lessee (continued)

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

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Within one year	991,998	1,250,968	784,000	1,078,000
Within second to fifth years, inclusive	—	819,312	—	784,000
	991,998	2,070,280	784,000	1,862,000

34. Pledge of assets

At the balance sheet date, the Group's investment properties situated in Hong Kong with carrying values of HK\$26,710,000 (2002: HK\$27,830,000), and its bank deposits amounting to HK\$5,000,000 (2002: HK\$5,000,000) are pledged to certain banks for banking facilities granted to the Group.

35. Related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Group	
	2003 HK\$	2002 HK\$
Interest expenses charged by a fellow subsidiary	18,823	21,876
Interest expenses charged by the immediate holding company	3,865,146	3,975,089
Interest expenses charged by an intermediate holding company	3,132,450	3,034,971

The interest expenses charged by a fellow subsidiary, the immediate holding company and an intermediate holding company during the year arose from their respective advances, further details of which, including terms, are disclosed in notes 25, 26 and 27, respectively.

▶▶ 60 Notes to Financial Statements (continued)

31st December 2003

36. Comparative amounts

As further explained in note 3 to the financial statements, due to adoption of revised SSAP 12 during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

37. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 26th April 2004.