

## **BUSINESS REVIEW**

For the six months ended 30th June 2004, the Group recorded a turnover of HK\$4.3 million and a loss before tax of HK\$6.1 million. The turnover of the Group increased by HK\$1.0 million as compared to that of the six months ended 30th June 2003. Such improvement is because in the same period in 2003, the stock market was adversely affected by the outbreak of the Severe Acute Respiratory Syndrome ("SARS").

The loss before tax for the six months ended 30th June 2004 decreased from HK\$7.3 million in 2003 to HK\$6.1 million in 2004. Such reduction in loss before tax was mainly because of the increase of turnover and the Group recorded realised profit for the security investment of the Group during the period under review.

## **FUTURE PROSPECTS**

Although the economy of Hong Kong has been recovering since the last quarter of 2003, there are still many uncertainties that hinder the development and recovery of the economy. The unstable stock market, high unemployment 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 pick up, your Board believes that the Group can achieve better results in the second half of the year ahead.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Comment on segment information

During the period under review, the turnover of the securities brokering business accounted for over 65% 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 2004 amounted to HK\$75.2 million, of which HK\$73.9 million were intercompany advances from Magnum Corporation Berhad Group in Malaysia. The bank borrowings as at 30th June 2004 amounted to HK\$1.3 million, which were reduced when compared to the amount of HK\$1.9 million as at 31st December 2003. The cash and cash equivalents as at 30th June 2004 were held in Hong Kong dollars, 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 the Group to enable it to operate as a going concern.

Certain investment properties and bank deposits with carrying values of HK\$26.7 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 1.64.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **Significant investment held**

The Group holds some investments in Hong Kong and Philippines listed shares. As at 30th June 2004, such investments amounted to HK\$1.5 million.

### **Acquisition and disposal**

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 the balance sheet date, the Group had approximately 29 full-time employees who were all based in Hong Kong. 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 a discretionary bonus based on performance.

On 11th June 2002, the Company adopted a share option scheme and 18,228,000 and 18,900,000 share options were granted to directors and employees, respectively, on 8th July 2002 with an exercise price of HK\$0.111. 15,228,000 share options granted to directors had been cancelled immediately following the approval of the shareholders at the Annual General Meeting on 10th June 2003. Apart from the above, no share options were exercised during the period under review.

### **INTERIM DIVIDEND**

As at 30th June 2004, the Company did not have any reserves available for cash/ in specie dividend distribution.

**DIRECTORS’ INTERESTS IN SHARES AND SHORT POSITION IN SHARES AND UNDERLYING SHARES**

As at 30th June 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) were as follows:

<b>Interests in shares of associated corporation</b>	<b>Name of director</b>	<b>Class of shares held</b>	<b>Capacity and nature of interest</b>	<b>No. of shares held</b>
Magnum Corporation Berhad (Note 1)	Lim Teong Leong	Ordinary	Directly beneficially owned	1,000,000
	Tam Cheok Wing	Ordinary	Directly beneficially owned	640,000
	Ooi Sin Heng	Ordinary	Directly beneficially owned	272,000
	Kwan Huey Jin	Ordinary	Directly beneficially owned	600,000

Note 1: Magnum Corporation Berhad (“MCB”) is the Company’s ultimate holding company.

Note 2: 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”.

All the interests stated above represent long positions. Save as disclosed under the heading “SHARE OPTION SCHEME” and the above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS 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 2004, the interests of the directors of the Company and their associates in the share options of MCB are as follows:

Name or category of participant	Number of share options			Date of grant of share options	Exercised period of share options	Exercise price of share options*		Capacity and nature of interest
	At 1st January 2004	Exercise during the period	At 30th June 2004			RM		
<b>Directors</b>								
Lim Teong Leong	900,000	—	900,000	16th July 2001	16th July 2001 to 15th July 2006	1.26		Directly beneficially owned
Tam Cheok Wing	600,000	—	600,000	16th July 2001	16th July 2001 to 15th July 2006	1.26		Directly beneficially owned
Ooi Sin Heng	272,000	—	272,000	16th July 2001	16th July 2001 to 15th July 2006	1.26		Directly beneficially owned
Kwan Huey Jin	440,000	(50,000)	390,000	16th July 2001	16th July 2001 to 15th July 2006	1.26		Directly beneficially owned
	100,000	—	100,000	27th Feb 2002	27th Feb 2002 to 15th July 2006	2.14		Directly beneficially owned
	<b>2,312,000</b>	<b>(50,000)</b>	<b>2,262,000</b>					

\* 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.

All the interests stated above represent long positions. Apart from that disclosed under the heading "DIRECTORS' INTERESTS IN SHARES AND SHORT POSITION IN SHARES AND UNDERLYING SHARES" 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 minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or 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 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 2004	Exercised/Granted/Lapsed during the period	At 30th June 2004			
<b>Directors</b>						
Chan Hon Ming	3,000,000	—	3,000,000	8th July 2002	8th July 2002 to 7th July 2012	0.111
<b>Other employees</b>						
In aggregate	17,550,000	—	17,550,000	8th July 2002	8th July 2002 to 7th July 2012	0.111
	<b>20,550,000</b>	<b>—</b>	<b>20,550,000</b>			

\* 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 2004, the interests of substantial shareholders as defined in the Rules Governing the Listing of Securities on the Stock Exchange, other than directors or chief executives of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO are as follows:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued capital</b>
Magnum Corporation Berhad	Attributable interest of controlled corporation	316,973,680 (Long Position)	51.54

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, the Company was not notified of any other interests or short positions in the shares or underlying shares of the Company as at 30th June 2004.

## 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 2004 have been reviewed by the Audit Committee.

By order of the Board

**Lim Teong Leong**

*Chairman*

Hong Kong, 16th September 2004