

## 1. BASIS OF PRESENTATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$6.1 million for the six months ended 30th June 2004. As reported in the Group's last annual report, 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. 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\$73.9 million as at 30th June 2004 until a 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 liabilities of the Group of HK\$2.2 million as at 30th June 2004, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

## 2. ACCOUNTING POLICIES

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2003.

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MAGNUM INTERNATIONAL HOLDINGS LIMITED

## 3. TURNOVER

The current period'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:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
Commission and interest income from securities dealing and margin finance	<b>2,788,981</b>	1,671,534
Interest income from consumer finance	<b>349,041</b>	347,123
Property rental income	<b>1,129,623</b>	1,312,893
	<b>4,267,645</b>	3,331,550

## 4. SEGMENT INFORMATION

### Business segments

Unaudited six months ended 30th June 2004

	Securities dealing and margin finance	Consumer finance	Property holding	Elimination	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Segment revenue:</b>					
Services provided to external customers	<b>2,788,981</b>	<b>349,041</b>	<b>1,129,623</b>	—	<b>4,267,645</b>
Other revenue	<b>1,346,177</b>	—	<b>400</b>	—	<b>1,346,577</b>
<b>Total Revenue</b>	<b>4,135,158</b>	<b>349,041</b>	<b>1,130,023</b>	—	<b>5,614,222</b>
<b>Segment results</b>	<b>(1,951,484)</b>	<b>(29,747)</b>	<b>(93,228)</b>	—	<b>(2,074,459)</b>
Unallocated revenue and gains					<b>24,299</b>
Unallocated expenses					<b>(1,235,789)</b>
Unallocated finance costs					<b>(3,285,949)</b>
Loss before tax					<b>(2,786,034)</b>
Tax					<b>(6,071,983)</b>
Net loss from ordinary activities attributable to shareholders					<b>—</b>
					<b>(6,071,983)</b>

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## 4. SEGMENT INFORMATION (continued)

### Business segments (continued)

	Unaudited six months ended 30th June 2003				
	Securities dealing and margin finance HK\$	Consumer finance HK\$	Property holding HK\$	Elimination HK\$	Consolidation HK\$ (Restated)
<b>Segment revenue:</b>					
Services provided to external customers	1,671,534	347,123	1,312,893	—	3,331,550
Other revenue	377,092	—	155	—	377,247
<b>Total Revenue</b>	<b>2,048,626</b>	<b>347,123</b>	<b>1,313,048</b>	<b>—</b>	<b>3,708,797</b>
<b>Segment results</b>	<b>(2,603,699)</b>	<b>(1,703,787)</b>	<b>405,361</b>	<b>1,285,432</b>	<b>(2,616,693)</b>
Unallocated revenue and gains					31,800
Unallocated expenses					(1,556,262)
					(4,141,155)
Unallocated finance costs					(3,202,423)
Loss before tax					(7,343,578)
Tax					(50,037)
Net loss from ordinary activities attributable to shareholders					(7,393,615)

## 5. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the period:

		<b>Unaudited Six months ended 30th June</b>	
Notes		<b>2004 HK\$</b>	2003 HK\$
Interest expenses charged by a fellow subsidiary	(i)	—	10,286
Interest expenses charged by immediate holding company	(ii)	<b>1,490,949</b>	1,865,061
Interest expenses charged by an intermediate holding company	(iii)	<b>1,598,034</b>	1,566,413
		<b>3,088,983</b>	3,441,760

Notes:

- (i) The balance was unsecured, bore interest at rates ranging from 0.95% to 0.96% per annum and was fully settled during the six months period ended 30th June 2004.
- (ii) The balance is unsecured, bears interest at 7% (2003: 7%) per annum and is not repayable within one year.
- (iii) The balance is unsecured, bears interest at 6.5% (2003: ranging from 6.5% to 6.9%) per annum and is not repayable within one year.

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## 6. LOSS FROM OPERATING ACTIVITIES

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
This is arrived at after charging:		
Depreciation	<b>139,450</b>	241,398
Amortisation of intangible asset	<b>252,955</b>	252,955
and after crediting:		
Gain on disposal of short term listed equity investments	<b>1,176,500</b>	—
Gain on disposal of fixed assets	<b>400</b>	—
Interest income	<b>1,464,292</b>	1,265,257
Dividend income from listed equity investments	<b>112,676</b>	323,960
Gross rental income	<b>1,129,623</b>	1,312,893
Less: Outgoings	<b>(47,490)</b>	(52,221)
<b>Net rental income</b>	<b>1,082,133</b>	1,260,672

## 7. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	<b>72,886</b>	112,402
Interest expense on amounts due to holding companies and a fellow subsidiary	<b>3,088,983</b>	3,441,760
	<b>3,161,869</b>	3,554,162

## 8. TAX

No provision for profits tax has been made as the Group had no assessable profits for the period (2003: HK\$50,037 (restated)).

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
		(Restated)
Hong Kong profits tax		
Deferred tax	—	50,037

Due to the adoption of SSAP12 (revised), the prior year balance had been restated.

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$6,071,983 (2003: HK\$7,393,615 (restated)) and the weighted average of 615,024,175 (2003: 615,024,175) ordinary shares in issue throughout the period.

Diluted loss per share for the periods ended 30th June 2004 and 2003 have not been disclosed as no anti-dilutive events existed during the periods.

## 10. INTERIM DIVIDEND

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

## 11. INTANGIBLE ASSETS

	<b>Unaudited HK\$</b>
Cost:	
At beginning of year (audited) and at 30th June 2004	8,573,184
Accumulated amortisation and impairment:	
At beginning of year (audited)	4,196,458
Amortised during the period	252,955
At 30th June 2004	4,449,413
Net book value:	
<b>At 30th June 2004</b>	<b>4,123,771</b>
At 31st December 2003 (audited)	4,376,726



## 12. 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:

	<b>Unaudited 30th June 2004 HK\$</b>	Audited 31st December 2003 HK\$
Not yet due	<b>1,254,405</b>	3,213,057
0–30 days	<b>1,594,371</b>	4,078,434
	<b>2,848,776</b>	7,291,491

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## 12. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)

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

### Accounts payable:

	<b>Unaudited 30th June 2004 HK\$</b>	Audited 31st December 2003 HK\$
Not yet due	<b>1,063,385</b>	3,504,927
0–30 days	<b>616,562</b>	1,133,503
Over 30 days	<b>2,912,355</b>	1,207,325
	<b>4,592,302</b>	5,845,755
Accrued liabilities	<b>41,542,566</b>	38,945,973
	<b>46,134,868</b>	44,791,728

## 13. SHORT TERM INVESTMENTS

	<b>Unaudited 30th June 2004 HK\$</b>	Audited 31st December 2003 HK\$
Listed equity investments, at market value:		
Hong Kong	<b>613,640</b>	13,321,250
Elsewhere	<b>930,764</b>	1,477,260
	<b>1,544,404</b>	14,798,510

## 14. ISSUED CAPITAL

### Shares

	<b>Unaudited 30th June 2004 HK\$</b>	Audited 31st December 2003 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000,000</b>	100,000,000
Issued and fully paid:		
615,024,175 ordinary shares of HK\$0.10 each	<b>61,502,418</b>	61,502,418

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

## **15. COMPARATIVE AMOUNTS**

Due to the adoption of the revised HKSSAP12 "Income tax" in last year, certain prior year adjustments have been made in last year's annual report and thus, certain comparative amounts have been restated to conform with the current period's presentation.

## **16. APPROVAL OF THE INTERIM FINANCIAL REPORT**

These interim financial report was approved by the board of directors on 16th September 2004.