

1. BASIS OF PRESENTATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$7.9 million for the six months ended 30th June 2005. 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 principal amounts and the related interest payables due by the Group, in the aggregate amount of HK\$73.9 million and HK\$44.0 million, respectively, as at 30th June 2005 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 liabilities of the Group of HK\$15.3 million as at 30th June 2005, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34: "Interim Financial Reporting" issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The accounting policies and basis of preparation used in the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2004 except in relation to the following new Hong Kong Financial Reporting Standards ("HKFRS", which also include HKAS and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

Financial Instruments

In the prior periods, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice No. 24 "Investments in Securities". Under SSAP 24, the Group classified its investment in equity securities as other investment in securities which is held for short term purpose.

In the current period, the Group has, for the first time, applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial statements. Following adoption of HKAS 32 and HKAS 39, the Group's financial instruments have been classified into "financial assets or liabilities at fair value through profit and loss" and "loans and receivables". Financial assets or liabilities through profit and loss are measured at fair value, and loans and receivables are measured at amortised cost where the carrying amount of the asset is computed by discounting the future cash flows to present value using the original effective interest rate. The adoption of HKAS 32 and HKAS 39 do not have any significant impact for these interim financial statements on its results of operations and financial position of the current or prior periods.

2. PRINCIPAL ACCOUNTING POLICIES (continued)**Investment Properties**

In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the profit and loss accounts and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise.

The Group has taken advantage of the transitional provisions of HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards. The adoption of HKAS 40 does not have any significant impact for these interim financial statements on the amounts recorded for investment properties.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred taxes related to investment properties

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21 "Income Taxes — Recovery of Revalued Non-depreciable Assets", deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through sale. In the absence of any specific transitional provisions in HK(SIC) Int 21, this change in accounting policy has been applied retrospectively. However, the adoption of HKAS Interpretation 21 does not have any significant impact for these interim financial statements on the amounts recorded for deferred taxes related to investment properties.

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:

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$	HK\$
Commission and interest income from securities dealing and margin finance	2,285,215	2,788,981
Interest income from consumer finance	365,343	349,041
Property rental income	976,632	1,129,623
	3,627,190	4,267,645

4. SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's primary segments.

Business segments

Unaudited six months ended 30th June 2005					
	Securities dealing and margin finance	Consumer finance	Property holding	Elimination	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:					
Services provided to external customers	2,285,215	365,343	976,632	—	3,627,190
Other revenue	48,226	—	—	—	48,226
Total Revenue	2,333,441	365,343	976,632	—	3,675,416
Segment results	(2,717,160)	(438,726)	(27,506)	—	(3,183,392)
Unallocated revenue and gains					37,425
Unallocated expenses					(1,967,537)
Unallocated finance costs					(5,113,504) (2,800,542)
Loss before tax					(7,914,046)
Tax					—
Net loss from ordinary activities attributable to shareholders					(7,914,046)

4. SEGMENT INFORMATION (continued)

Business segments (continued)

Unaudited six months ended 30th June 2004

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

5. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Unaudited Six months ended 30th June	
	2005 HK\$	2004 HK\$
Interest expenses charged by the immediate holding company	1,495,323	1,490,949
Interest expenses charged by an intermediate holding company	1,700,268	1,598,034
	3,195,591	3,088,983

5. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Unaudited 30th June 2005 HK\$	Audited 31st December 2004 HK\$
Amount due to the immediate holding company	42,999,147	42,999,147
Amount due to an intermediate holding company	30,920,000	30,920,000
Interest payable to the immediate holding company	20,905,923	19,410,600
Interest payable to an intermediate holding company	22,825,936	21,125,668
Interest payable to a fellow subsidiary	246,457	246,457
	117,897,463	114,701,872

5. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	Unaudited Six months ended 30th June	
	2005 HK\$	2004 HK\$
Short term employee benefits	1,060,710	1,060,710
Post-employment benefits	53,036	53,036
Total compensation paid to key management personnel	1,113,746	1,113,746

6. LOSS FROM OPERATING ACTIVITIES

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$	HK\$
This is arrived at after charging:		
Depreciation	27,702	139,450
Amortisation of intangible asset	252,954	252,955
and after crediting:		
Gain on disposal of investment held for trading	—	1,176,500
Gain on disposal of fixed assets	—	400
Interest income	1,271,612	1,464,292
Dividend income from investment held for trading	13,125	112,676
Gross rental income	976,632	1,129,623
Less: Outgoings	(57,070)	(47,490)
Net rental income	919,562	1,082,133

7. FINANCE COSTS

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	11,622	72,886
Interest expenses on amounts due to holding companies	3,195,591	3,088,983
	3,207,213	3,161,869

8. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period ended 30th June 2005 and 30th June 2004.

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\$7,914,046 (2004: HK\$6,071,983) and 615,024,175 (2004: 615,024,175) ordinary shares in issue throughout the period.

Diluted loss per share for the periods ended 30th June 2005 and 2004 have not been disclosed, as no dilutive events existed during the periods.

10. INTERIM DIVIDEND

As at 30th June 2005, the Company did not have any reserves available for cash/in specie dividend distribution.

II. INTANGIBLE ASSETS

	Unaudited HK\$
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Cost:	
At beginning of year (audited) and at 30th June 2005	8,476,908
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Accumulated amortisation and impairment:	
At beginning of year (audited)	5,341,429
Amortised during the period	252,954
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At 30th June 2005	5,594,383
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Net book value:	
At 30th June 2005	2,882,525
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At 31st December 2004 (audited)	3,135,479
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12. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

- (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:

	Unaudited 30th June 2005 HK\$	Audited 31st December 2004 HK\$
Not yet due	3,213,734	3,431,749
0–30 days	71,048	1,781,972
Over 30 days	55,950	—
	3,340,732	5,213,721

12. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS (continued)

- (b) Details of the accounts payable, other payables and accruals of the Group as at the balance sheet date are as follows:

Accounts payable:

	Unaudited 30th June 2005 HK\$	Audited 31st December 2004 HK\$
Not yet due	728,350	1,586,196
0–30 days	961,692	1,442,426
Over 30 days	2,785,973	2,506,288
	4,476,015	5,534,910
Other payables and accruals	47,017,670	45,373,516
	51,493,685	50,908,426

Included in other payables of the Group are (i) interest payables to the immediate holding company and a fellow subsidiary totaling HK\$21,152,380 (2004: HK\$19,657,057) which are unsecured, interest-free and have no fixed terms of repayment. (ii) interest payable to an intermediate holding company totaling HK\$22,825,936 (2004: HK\$21,125,668) which are unsecured, bear interest at 6.5% (2004: 6.5%) and has no fixed terms of repayment.

13. INVESTMENT HELD FOR TRADING/SHORT TERM INVESTMENTS

	Unaudited 30th June 2005 HK\$	Audited 31st December 2004 HK\$
Listed equity investments, at market value:		
Hong Kong	669,730	604,420
Elsewhere	1,203,149	815,867
	1,872,879	1,420,287

14. ISSUED CAPITAL

Shares

	Unaudited 30th June 2005 HK\$	Audited 31st December 2004 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 period.

15. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on 16th September 2005.