

BUSINESS REVIEW

For the six months ended 30th June 2005, the Group recorded a turnover of HK\$3.6 million and loss before tax of HK\$7.9 million. The turnover of the Group decreased by HK\$0.6 million as compared to that of the six months ended 30th June 2004. The lower turnover is mainly due to increased competition amongst local security houses and retail banks.

The loss before tax for the six months ended 30th June 2005 increased from HK\$6.1 million in 2004 to HK\$7.9 million in 2005. Such increase in loss before tax was mainly due to lower turnover and higher additional professional fees incurred for corporate exercise undertaken in 2005.

On 8th April 2005, the Company and Unichina Enterprises Limited ("Unichina") jointly announced that Magnum (Guernsey) Limited ("MGL") and Unichina have entered into a sale and purchase agreement ("S&P Agreement"), pursuant to which, MGL has conditional agreed to sell and Unichina has conditionally agreed to purchase a total of 316,973,680 issued shares of the Company, representing a 51.54% equity interest in the Company. For details of the S&P Agreement and other related agreement, the announcement on 8th April 2005 and the Circular dated 20th May 2005 can be referred.

On 20th July 2005, the Company and Unichina jointly announced that all the resolutions relating to the conditions of the S&P Agreement are not approved by the independent shareholders at the Special General Meeting held on 24th June 2005. Relevant parties to the S&P Agreement have agreed not to proceed with the S&P completion.

FUTURE PROSPECTS

The Hong Kong security market has been changing rapidly in the past few years which in turn, affected our securities dealing business. With the withdrawal of minimum commission and more retail banks participating in the securities business, have resulted in more intense competition amongst local security houses. The management is exploring various strategies to retain our existing clients and to broaden our client bases.

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

With the economy gradually improving and with better market sentiment, 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 63% 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 2005 amounted to HK\$73.9 million which solely comprises intercompany advances from Magnum Corporation Berhad Group in Malaysia. As at 30th June 2005, there was no bank borrowings when compared to the amount of HK\$0.6 million as at 31st December 2004. The cash and cash equivalents as at 30th June 2005 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.

As at 30th June 2005, certain investment properties and bank deposits with carrying values of HK\$32.9 million were charged to banks to secure the bank facilities.

The main funding of the Group is from intercompany advances. In the opinion of the directors, the interest rates charged by the intercompany advances are fair and reasonable.

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 1.39.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**Significant investment held**

The Group holds some investments in Hong Kong and Philippines listed shares. As at 30th June 2005, such investments amounted to HK\$1.9 million.

Acquisition and disposal

There was neither acquisition nor disposal of any subsidiaries 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

At 30th June 2005, 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 new share option scheme and 18,228,000 and 18,900,000 share options were granted to directors and employees, respectively, on 8th July 2002 at an exercise price of HK\$0.111 per share. No share options were exercised during the year under review. As at 30th June 2005, 20,100,000 share options were outstanding.

INTERIM DIVIDEND

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

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30th June 2005, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of 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 Issuers ("the Model Code") were as follows:

Interests in shares of associated corporation	Ordinary shares in the associated corporation			
	Name of director	Capacity and nature of Interest	Number of shares held	Percentage figure
Magnum Corporation Berhad (Note 1)	Lim Teong Leong	Directly beneficially owned	1,000,000	0.06%
	Tam Cheok Wing	Directly beneficially owned	640,000	0.04%
	Ooi Sin Heng	Directly beneficially owned	52,000	0.00%

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 association corporation. 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 above, as at 30th June 2005, 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' 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 2005, 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 held	Date of grant of share options	Exercise period of share options	Exercise price of share options* Malaysian Ringgit	Capacity and nature of interest
Directors					
Lim Teong Leong	900,000	16th July 2001	16th July 2001 to 15th July 2006	1.26	Directly beneficially owned
Tam Cheok Wing	500,000	16th July 2001	16th July 2001 to 15th July 2006	1.26	Directly beneficially owned
	1,400,000				

* 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.

All the interests stated above represent long positions. Apart from as disclosed above and the section "SHARE OPTION SCHEME" relating to the Company's share option schemes, at no time during the six-month 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 and 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 2005	Exercised/Granted/Lapsed during the period	At 30th June 2005			
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	17,550,000	(450,000)	17,100,000	8th July 2002	8th July 2002 to 7th July 2012	0.111
	20,550,000	(450,000)	20,100,000			

* 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2005, the Company had been notified of the following interests of 5% or more of the issued share capital of the Company:

Long position:

Name of shareholder	Capacity	Number of shares held	Percentage of the Company's issued capital
Magnum Corporation Berhad ('MCB') (Note 1)	Attributable interest of controlled corporation	316,973,680	51.54%
Magnum Enterprise Sdn Bhd (Note 1)	Attributable interest of controlled corporation	316,973,680	51.54%
Magnum (Guernsey) Limited (Note 1)	Beneficial Owner	316,973,680	51.54%

Note 1: 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.

The Company also noted from the web-site of The Stock Exchange of Hong Kong Limited that the following shareholders, each has filed disclosure form in respect of its interest of 5% or more of the issued share capital of the Company:

Long position:

Name of shareholder	Capacity	Number of shares held	Percentage of the Company's issued capital
Pasmina Overseas Inc.	Beneficial Owner	66,013,175	10.73%
Yuwira International Corp.	Beneficial Owner	43,599,000	7.09%

The Company, however, did not receive the prescribed notification from the above shareholders of their substantial shareholding in the Company.

Save as disclosed above, as at 30th June 2005, the Company was not notified of any interests or short positions in the shares or underlying shares of the Company.

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 ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Main Board Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the interim report, except for the following deviations:

Code Provision A.4.1

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term, subject to re-election.

The Company's Independent Non-executive directors are not appointed for a specified term, but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Bye-Laws.

Code provision A.4.2

Code Provision A.4.2 stipulated that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Company's bye-laws, at each annual general meeting, one-third of the directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third shall retire from office provided that notwithstanding anything herein, the chairman of the board and the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

CODE ON CORPORATE GOVERNANCE PRACTICES (continued)**Code provision A.4.2** (continued)

In order to ensure compliance with the above Code Provision A.4.2, relevant amendments to the Bye-Laws of the Company will be proposed for approval by the shareholders at the annual general meeting to be held in 2006 such that every director shall be subject to retirement by rotation at least once every three years.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code of securities transactions by directors ("Own Code") on terms no less exact than the required standard set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules.

Having made specific enquiry of all directors, directors of the Company have confirmed that they have complied with the required standards set out in the Model Code and in the Own Code throughout the six months period ended 30th June 2005.

The Company has also established its own written guidelines for relevant employees in respect of their dealings in the securities of the Company.

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 three independent non-executive directors of the Company.

The unaudited interim financial statements for the six months ended 30th June 2005 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All information as required under paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

By order of the Board

Lim Teong Leong

Chairman

Hong Kong, 16th September 2005

As at the date of this report, the Board comprise:

Executive directors

Mr Lim Teong Leong (*Chairman*)
Mr Tam Cheuk Wing
Mr Ooi Sin Heng
Mr Chan Hon Ming

Independent Non-Executive Directors

Mr Wong Ming Shiang
Mr Lim Eng Ho
Mr Soo Tho Him Yip