

## 1. BASIS OF PRESENTATION

These 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”), Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The principal accounting policies and basis of preparation used in the unaudited condensed financial statements are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 31st December 2005, except for the adoption of the following new HKFRS that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option

The amendment to HKAS 21 relates to the treatment of exchange differences arising on a monetary item that forms part of the net investment in a foreign operation. It allows inter-company loans denominated in any currency to be part of a net investment in a foreign operation and to recognize foreign exchange volatility on such loans funding foreign operations in exchange fluctuation reserve in the consolidated financial statements. The adoption of the amendment to HKAS 21 has resulted in a change in accounting policy relating to foreign currency translation. The adoption of this amendment did not affect the Group’s results of operations for the period or financial position as at 30 June 2006.

HKAS 39 Amendment “The Fair Value Option” restricts the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit or loss. The adoption of this amendment did not affect the Group’s results of operations for the period or financial position as at 30 June 2006.



## 1. BASIS OF PRESENTATION (continued)

### Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

HKAS 1 Amendment will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC)-Int 7 and HK(IFRIC)-Int 9 do not apply to the activities of the Group. HK(IFRIC)-Int 8 does not have any impact on the Group's financial statements in the period of initial application. HK(IFRIC)-Int 7, HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006 and 1 June 2006, respectively.

## 2. PRINCIPAL ACTIVITIES

During the period, the Group was involved in the following principal activities:

- securities dealing and brokerage
- securities trading and investment holding
- money lending
- property investment

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Group is Dragon Hill Development Limited (“Dragon Hill”), which is incorporated in Samoa.



### 3. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	Notes	Unaudited Six months ended 30th June	
		2006 HK\$	2005 HK\$
<b>Revenue</b>			
Commissions and interest income from securities dealing and margin finance		1,635,855	2,285,215
Interest income from consumer finance		502,260	365,342
Property rental income		1,100,700	976,632
Proceeds from the sale of equity investments at fair value through profit or loss		1,468,103	—
		<b>4,706,917</b>	<b>3,627,190</b>
<b>Other income</b>			
Dividend income from listed investments		17,790	13,125
Recovery of bad debts		962,276	—
Others		158,017	72,526
		<b>1,138,083</b>	<b>85,651</b>
<b>Gains</b>			
Unrealised gains on equity investments at fair value through profit or loss		439,584	—
Gain on disposal of subsidiaries	8	12,408,167	—
Gain on the waiver of loan advances and related interest by the former holding companies and a former fellow subsidiary	5(ii)	20,073,702	—
		<b>32,921,453</b>	<b>—</b>
		<b>34,059,536</b>	<b>85,651</b>

#### 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 30 June 2006				
	Securities dealing and margin finance	Securities Investment	Consumer finance	Property holding	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Segment revenue:</b>					
Services provided to external customers	1,640,803	1,468,103	502,260	—	3,611,166
Other revenue	134,587	17,790	—	—	152,377
Rental income	—	—	—	1,100,700	1,100,700
<b>Total Revenue</b>	<b>1,775,390</b>	<b>1,485,893</b>	<b>502,260</b>	<b>1,100,700</b>	<b>4,864,243</b>
<b>Segment results</b>	<b>(2,303,763)</b>	<b>635,316</b>	<b>(427,233)</b>	<b>12,914,274</b>	<b>10,818,594</b>
Unallocated revenue and gains					21,498,991
Unallocated expenses					(4,555,207)
Unallocated finance costs					(2,860,538)
Profit before tax					24,901,840
Tax					—
<b>Profit for the period</b>					<b>24,901,840</b>



#### 4. SEGMENT INFORMATION (continued)

	Unaudited six months ended 30 June 2005				
	Securities dealing and margin finance	Securities Investment	Consumer finance	Property holding	Consolidation
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Segment revenue:</b>					
Services provided to external customers	2,285,215	—	365,343	976,632	3,627,190
Other revenue	48,226	—	—	—	48,226
<b>Total Revenue</b>	<b>2,333,441</b>	<b>—</b>	<b>365,343</b>	<b>976,632</b>	<b>3,675,416</b>
<b>Segment results</b>	<b>(2,717,160)</b>	<b>—</b>	<b>(438,726)</b>	<b>(27,506)</b>	<b>(3,183,392)</b>
Unallocated revenue and gains					37,425
Unallocated expenses					(1,967,537)
Unallocated finance costs					(2,800,542)
Loss before tax					(7,914,046)
Tax					—
<b>Loss for the period</b>					<b>(7,914,046)</b>

## 5. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$	HK\$
Interest expenses charged by former immediate holding company (note i)	1,412,584	1,495,323
Interest expenses charged by former intermediate holding company (note i)	1,832,032	1,700,268
Waiver of loan advances and related interest by the former holding companies and a former fellow subsidiary (note ii)	20,073,302	—
Management fee income charged to a former fellow subsidiary (note iii)	22,950	—
	<b>23,340,868</b>	<b>3,195,591</b>

## 5. RELATED PARTY TRANSACTIONS (continued)

### (b) Outstanding balances with related parties

	Unaudited 30 June 2006 HK\$	Audited 31 December 2005 HK\$
Amount due to former immediate holding company	—	65,418,436
Amount due to former intermediate holding company	—	55,531,255
Interest payable to former immediate holding company	—	22,419,289
Interest payable to former intermediate holding company	—	24,611,255
Interest payable to former fellow subsidiary	—	246,457
	—	168,226,692

### (c) Compensation of key management personnel of the Group

	Unaudited Six months ended 30 June	
	2006 HK\$	2005 HK\$
Short term employee benefits	763,943	1,060,710
Post-employment benefits	356,710	53,036
Total compensation paid to key management personnel	1,120,653	1,113,746



## 5. RELATED PARTY TRANSACTIONS (continued)

### (c) Compensation of key management personnel of the Group (continued)

Notes:

- (i) The interest expenses charged by Magnum Guernsey Limited (“MGL”), the former immediate holding company, and Magnum Enterprise Sdn Bhd (“MESB”), the former intermediate holding company, during the period arose from their respective advances to the Group. The advances were unsecured, bore interest at annual effective rates ranging from 6.5% to 8% and were fully settled at the balance sheet date. MGL and MESB ceased to be the holding companies of the Group on 20 June 2006.
- (ii) During the period, the Group entered into a deed of settlement with Dragon Hill, MGL, MESB, and Magnum Investment Limited (“MIL”), a former fellow subsidiary, to settle the outstanding advances and related interest payables due by the Group to MGL, MESB and MIL at 20 June 2006 with an aggregate amount of HK\$124,440,764 by HK\$104,367,062. The payable of HK\$104,367,062 was fully settled on 20 June 2006 by (a) the sale consideration of the Lismore Group of HK\$56,366,892 (note 8); and (b) the subscription proceeds of HK\$48,000,170 (note 12) from the issue of the Convertible Preference Shares, resulting in a gain on the waiver of loan advances and related interest of HK\$20,073,702.  
  
MIL ceased to be the fellow subsidiary of the Group on 20 June 2006.
- (iii) Management fee income was related to the administrative services provided to MIL. The fee was charged at a monthly rate of HK\$4,050.



## 6. PROFIT/(LOSS) BEFORE TAX

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$	HK\$
The Group's profit before tax is arrived at after charging:		
Depreciation	1,507	27,702
Employee benefits expense (including directors' remuneration):		
Wages and salaries	1,694,519	3,378,843
Pension scheme contributions	45,134	303,793
	<b>1,741,160</b>	<b>3,710,338</b>
Minimum lease payments under operating leases in respect of land and buildings	<b>1,100,700</b>	976,632
and after crediting:		
Bank interest income	103,042	174,944
Interest income for loans receivable	1,267,093	1,096,668
	<b>1,370,135</b>	<b>1,271,612</b>
Gain on disposal of equity investments at fair value through profit or loss account	<b>48,482</b>	—

## 7. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the periods ended 30 June 2006 and 30 June 2005.

## 8. DISPOSAL OF SUBSIDIARIES

On 20 June 2006, the Group disposed of its entire 100% equity interest in Lismore Properties Limited and its subsidiaries (collectively the “Lismore Group”) to MGL, who ceased to be the Group’s immediate holding company on the same date, for a consideration of HK\$56,366,892, resulting in a gain on disposal of HK\$12,408,167. The Lismore Group was engaged in property investment.

The results of the Lismore Group for the periods ended 30 June 2006 and 2005 are presented below:

	Unaudited Six months ended 30 June	
	2006 HK\$	2005 HK\$
REVENUE — gross rental income	1,100,700	976,632
Administrative expenses	(552,178)	(973,839)
Other operating expenses	(42,415)	(30,299)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>506,107</b>	<b>(27,506)</b>



## 8. DISPOSAL OF SUBSIDIARIES (continued)

The carrying amounts of the assets and liabilities of the Lismore Group immediately before the disposal were as follows:

	HK\$
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Net liabilities disposed of:	
Property, plant and equipment	197,905
Investment properties	43,920,000
Prepayments, deposits and other receivables	444,169
Cash and bank balances	692,643
Other payables and accruals	(884,485)
Deferred tax liabilities	(411,507)
Amounts due to the Group	(56,366,891)
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	(12,408,166)
Gain on disposal of subsidiaries	12,408,167
Amounts due to the Group disposed of	56,366,891
	<hr/>
Sale consideration	56,366,892
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The net cash flows incurred by the Lismore Group are as follows:

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$	HK\$
	<hr/>	
Net cash inflow/(outflow) from operating activities and		
total net cash inflow/(outflow)	619,380	(100,997)
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## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the net profit/(loss) for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the net profit for the period attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 June	
	2006 HK\$	2005 HK\$
<b>Earnings</b>		
Net profit/(loss) attributable to shareholders for the period used in the basic earnings/(loss) per share calculation	24,901,780	(7,914,046)



## 9. EARNINGS/(LOSS) PER SHARE (continued)

	Number of shares	
	Six months ended 30 June	
	2006	2005
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	615,024,175	615,024,175
Effect of dilution — weighted average number of ordinary shares:		
Convertible preference shares	1,521,400,000	N/A
Share options	7,200,000	N/A
	2,143,624,175	

## 10. INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period (six months ended 30 June 2005: Nil).

## 11. SHARE CAPITAL

	Unaudited 30 June 2006 HK\$	Audited 31 December 2005 HK\$
Authorised:		
1,000,000,000,000 ordinary shares of HK\$0.001 each	100,000,000	—
1,000,000,000 ordinary shares of HK\$0.10 each	—	100,000,000
	<b>100,000,000</b>	<b>100,000,000</b>
Issued and fully paid:		
615,024,175 ordinary shares of HK\$0.001 each	615,024	—
615,024,175 ordinary shares of HK\$0.10 each	—	61,502,418
	<b>615,024</b>	<b>61,502,418</b>

Pursuant to a special resolution passed at a special general meeting of the Company on 23 May 2006, the following transactions took place on 19 June 2006:

- (a) a reduction of the par value of each issued ordinary share of the Company from HK\$0.10 to HK\$0.001 by cancelling the paid-up capital to the extent of HK\$0.099 on each issued ordinary share, resulting in a reduction of the Company's issued share capital from HK\$61,502,418 to HK\$615,024;
- (b) a transfer of the credit arising from the cancellation of the paid-up capital in the amount of HK\$60,887,394 to the contributed surplus; and



## 11. SHARE CAPITAL (continued)

- (c) a subdivision of each unissued ordinary share in the Company with the par value of HK\$0.10 into 100 new unissued ordinary shares in the Company with the par value of HK\$0.001 each, resulting in an increase in authorised ordinary shares from 1,000,000,000 shares to 100,000,000,000 shares.

## 12. CONVERTIBLE PREFERENCE SHARES

On 20 June 2006, the Company issued 1,521,400,000 convertible preference shares (the “Convertible Preference Shares”) with a nominal value of HK\$48,000,170. The Convertible Preference Shares are non-voting, freely transferable and not entitled to any right of participation in the profits of the Company. Holders of the Convertible Preference Shares are not entitled to any dividend distribution whether in cash or otherwise. The Company does not have the right to redeem the outstanding shares or do the shareholders have the rights to sell back the shares to the Company.

The Convertible Preference Shares are convertible into the Company’s ordinary shares at any time at the conversion price, which is initially HK\$0.03155 per ordinary share, subject to adjustment, of the Company at anytime immediately upon allotment and issue of the Convertible Preference Shares and until conversion of all the Convertible Preference Shares in full.

No Convertible Preference Shares were converted during the period. The exercise in full of the conversion rights attached to the outstanding 1,521,400,000 Convertible Preference Shares in issue at 30 June 2006 would have, with the present capital structure of the Company, resulted in the issue of a further 1,521,400,000 additional ordinary shares.

As disclosed in note 13(a) below, upon the completion of the Rights Issue (as defined hereafter) on 5 September 2006, the conversion price of the Convertible Preference Shares was adjusted to HK\$0.02372 per ordinary share. With the present capital structure of the Company, the exercise in full of the conversion rights would have resulted in a further 2,023,615,935 additional ordinary shares.



### 13. POST BALANCE SHEET EVENTS

- (a) On 28 July 2006, the Company proposed to raise approximately HK\$9,700,000, before expenses, by issuing 307,512,087 ordinary shares (the “Rights Share”) at a price of HK\$0.03155 per ordinary share by way of the rights issue (the “Rights Issue”) on the basis of one Rights Share for every two ordinary shares held by the existing shareholders. As a result, 307,512,087 ordinary shares were allotted and issued on 5 September 2006. The details of the Rights Issue were set out in the Company’s announcement dated 28 July 2006, the Company’s circular dated 17 August 2006 and other subsequent announcements.
- (b) On 3 August 2006, Hilcrest Limited, a wholly-owned subsidiary of the company, entered into a sale and purchase agreement to purchase a property for a consideration of HK\$15,300,000.

On 18 August 2006, Jenpoint Limited, another wholly-owned subsidiary of the company, entered into a provisional sale and purchase agreement to purchase a property for a consideration of HK\$9,880,000.

Further details of the above acquisitions were set out in the Company’s announcements dated 3 August 2006 and 18 August 2006, respectively.

### 14. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 25 September 2006.