

Management Discussion and Analysis

CHANGE OF CONTROLLING SHAREHOLDER AND COMPANY NAME

During the year, the controlling shareholder of the Company was changed from Magnum Corporation Berhad to Dragon Hill Development Limited upon completion of the Share Sale Agreement (as defined in the circular of the Company dated 29 April 2006) on 20 June 2006. The details in relation to the change of the controlling shareholder and the other related transactions had been fully described in the Company's circulars dated 29 April 2006 and 22 June 2006.

As a result of the aforesaid change of the controlling shareholder, the name of the Company was changed from Magnum International Holdings Limited to Dragon Hill Holdings Limited with effect from 15 January 2007.

COMMENTS ON SEGMENT INFORMATION

During the year under review, revenue from (1) securities dealing and brokerage and margin finance; and (2) securities trading and investment continued to be the main business segments of the Group which accounted for 19% and 68% respectively of the total revenue. Geographically, revenue generated in Hong Kong accounted for nearly 99% of the total revenue for the year 2006.

LIQUIDITY AND CAPITAL STRUCTURE

As a result of a series of corporate restructuring and fund raising exercises carried out during the year, the liquidity position of the Group had been significantly improved. As at 31 December 2006, the Group maintained total net asset value of HK\$33.4 million compared to a net deficiency position as of 31 December 2005.

The intercompany advances from Magnum Corporation Berhad, the former holding company of the Company and its subsidiaries (the "Magnum Group") had been fully settled during the year. As at 31 December 2006, the aggregate bank borrowings of the Group amounted to HK\$17.5 million which were secured by the properties of the Group.

The Group's gearing ratio (borrowing to net assets) as at the end of the year was 52.4%, a significantly improved level as compared to last year.

SIGNIFICANT INVESTMENTS HELD

The Group holds some listed investments in Hong Kong and the Philippines. As at 31 December 2006, such investments amounted to HK\$2.9 million.

ACQUISITIONS AND DISPOSALS

During the year, the Group disposed its entire interests in Lismore Properties Limited and its respective subsidiaries (the "Lismore Group") to the Magnum Group during the year.

Following the disposal of the Lismore Group as abovementioned, the Group acquired two commercial properties near the Central which are used as the Group's office premises and for rental purposes. The acquisitions provided a cost saving effect to our operation and a steady income for our property investment division. The total value of the properties held by the Group as at 31 December 2006 amounted to HK\$26.3 million. Details of properties held by the Group are set out on page 78 of this annual report.

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PLEDGE OF ASSETS

As at 31 December 2006, the office premises and the investment properties held by the Group with an aggregate value of HK\$26.3 million have been pledged to secure the bank loans.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

As the Group's main businesses and assets are geographically located in Hong Kong, its exposure to fluctuations in exchange rates and currencies are minimal.

CONTINGENT LIABILITIES

As at 31 December 2006, there were no material contingent liabilities to the Group.

REMUNERATION OF EMPLOYEES

As at 31 December 2006, the Group had 20 employees, including directors and senior management. The standard remuneration package of the employees include salaries, commissions (as appropriate), a medical scheme, a Company's provident fund scheme, a Company's share option scheme, a year end double pay and a discretionary bonus based on performance, in which the salaries are subject to annual revision.

The terms of the Company's share option scheme are in accordance with the Listing Rules of which details are set out in note 30 to the financial statements. As at 31 December 2006, there were no options outstanding under the Company's share option scheme.