



# Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2002

## INTERIM RESULTS

The directors of Magnum International Holdings Limited (the “Company”) herein present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2002 together with the comparative figures as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30th June	
		2002	2001
	Notes	HK\$	HK\$
Turnover	2	5,738,524	8,342,102
Other revenue and gains		605,735	802,376
Unrealised holding gains/(losses) on short term investments		539,000	(2,928,000)
Administrative expenses		(6,667,737)	(7,315,494)
Other operating expenses		(2,305,871)	(2,972,770)
Write back of provision/(provision) for doubtful debts		167,444	(2,550,479)
<b>LOSS FROM OPERATING ACTIVITIES</b>		<b>(1,922,905)</b>	<b>(6,622,265)</b>
Finance costs	5	(3,635,912)	(4,231,088)
<b>LOSS BEFORE TAX</b>		<b>(5,558,817)</b>	<b>(10,853,353)</b>
Tax	6	—	—
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(5,558,817)</b>	<b>(10,853,353)</b>
<b>LOSS PER SHARE</b>			
Basic	7	(0.90 cent)	(1.76 cents)
Diluted		N/A	N/A
<b>INTERIM DIVIDEND</b>	8	<b>Nil</b>	<b>Nil</b>

Notes:

## 1. 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 Society of 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 2001 except that the following recently revised SSAPs are effective for accounting periods which commenced on or after 1st January 2002 and were adopted for the first time in preparation of the current period’s unaudited condensed consolidated financial statements:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cashflow statements

## 2. TURNOVER AND SEGMENT INFORMATION

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>2002</b>	<b>2001</b>
	<b>HK\$</b>	<b>HK\$</b>
Commission and interest income from securities dealing and margin finance	<b>3,956,747</b>	6,914,032
Interest income from consumer finance	<b>402,911</b>	547,671
Property rental income	<b><u>1,378,866</u></b>	<u>880,399</u>
	<b><u>5,738,524</u></b>	<u>8,342,102</u>

(a) Business segments

Unaudited six months ended 30th June 2002

	Securities dealing and margin finance <i>HK\$</i>	Consumer finance <i>HK\$</i>	Property holding <i>HK\$</i>	Elimination <i>HK\$</i>	Consolidation <i>HK\$</i>
<b>Segment revenue:</b>					
Services provided to external customers	3,956,747	402,911	1,378,866	—	5,738,524
Other operating income	<u>536,058</u>	<u>780</u>	<u>252</u>	<u>—</u>	<u>537,090</u>
Total Revenue	<u>4,492,805</u>	<u>403,691</u>	<u>1,379,118</u>	<u>—</u>	<u>6,275,614</u>
<b>Segment results</b>	<u>(1,126,808)</u>	<u>(1,562,237)</u>	<u>676,699</u>	<u>1,205,254</u>	<u>(807,092)</u>
Unallocated income and gains					68,645
Unallocated expenses					<u>(1,562,400)</u>
Loss from operations					(2,300,847)
Finance costs					<u>(3,257,970)</u>
Loss before tax					<u>(5,558,817)</u>

Unaudited six months ended 30th June 2001

	Securities dealing and margin finance <i>HK\$</i>	Consumer finance <i>HK\$</i>	Property holding <i>HK\$</i>	Elimination <i>HK\$</i>	Consolidation <i>HK\$</i>
<b>Segment revenue:</b>					
Services provided to external customers	6,914,032	547,671	880,399	—	8,342,102
Other operating income	<u>735,946</u>	<u>—</u>	<u>142</u>	<u>—</u>	<u>736,088</u>
Total Revenue	<u>7,649,978</u>	<u>547,671</u>	<u>880,541</u>	<u>—</u>	<u>9,078,190</u>
<b>Segment results</b>	<u>(3,236,751)</u>	<u>(4,009,292)</u>	<u>(13,985)</u>	<u>1,600,513</u>	<u>(5,659,515)</u>
Unallocated income and gains					66,288
Unallocated expenses					<u>(1,521,500)</u>
Loss from operations					(7,114,727)
Finance costs					<u>(3,738,626)</u>
Loss before tax					<u>(10,853,353)</u>

(b) Geographical segments

	Hong Kong		Philippines*		Consolidated	
	30.6.2002	30.6.2001	30.6.2002	30.6.2001	30.6.2002	30.6.2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Segment revenue:</b>						
Services provided to external customers	5,738,524	7,838,612	—	503,490	5,738,524	8,342,102
Other operating income	<u>306,829</u>	<u>356,405</u>	<u>298,906</u>	<u>445,971</u>	<u>605,735</u>	<u>802,376</u>
Total revenue	<u>6,045,353</u>	<u>8,195,017</u>	<u>298,906</u>	<u>949,461</u>	<u>6,344,259</u>	<u>9,144,478</u>
Segment results	<u>(2,705,572)</u>	<u>(7,038,019)</u>	<u>404,724</u>	<u>(76,708)</u>	<u>(2,300,848)</u>	<u>(7,114,727)</u>

\* The operation of the Group's securities dealing and brokerage businesses in the Philippines ceased in 2001.

### 3. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30th June	
	2002	2001
	HK\$	HK\$
Interest expenses charged by a fellow subsidiary	10,945	40,423
Interest expenses charged by immediate holding company	1,865,061	1,848,830
Interest expenses charged by an intermediate holding company	<u>1,478,952</u>	<u>1,438,397</u>
	<u>3,354,958</u>	<u>3,327,650</u>

### 4. LOSS FROM OPERATING ACTIVITIES

	Unaudited Six months ended 30th June	
	2002	2001
	HK\$	HK\$
This is arrived at after charging:		
Loss on disposal of short term investments	—	112,500
Depreciation	565,719	846,200
Amortisation of intangible asset	<u>252,955</u>	<u>252,955</u>
and after crediting:		
Gain on disposal of short term investments	44,344	—
Gain on disposal of fixed assets	70,292	—
Interest income	2,224,788	3,659,085
Dividend income from listed investments	188,524	210,183
Gross rental income	1,378,866	880,399
Less: Outgoings	<u>(28,350)</u>	<u>(41,650)</u>
Net rental income	<u>1,350,516</u>	<u>838,749</u>

## 5. FINANCE COSTS

**Unaudited**  
**Six months ended**  
**30th June**  
**2002**                      2001  
**HK\$**                        **HK\$**

Interest on bank loans and overdrafts wholly repayable within five years	<b>280,954</b>	903,438
Interest expenses on amounts due to related parties	<b><u>3,354,958</u></b>	<u>3,327,650</u>
	<b><u>3,635,912</u></b>	<u>4,231,088</u>

## 6. TAX

No provision for profits tax has been made as the Group had no assessable profits for the period (2001: Nil).

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$5,558,817 (2001: HK\$10,853,353) and on the 615,024,175 (2001: 615,024,175) ordinary shares in issue throughout the period.

The diluted loss per share for the periods ended 30th June 2002 and 2001 have not been shown as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

## 8. INTERIM DIVIDEND

As at 30th June 2002, the Company did not have any reserves available for cash/in specie dividend distribution.

## BUSINESS REVIEW

For the six months ended 30th June 2002, the Group recorded a turnover of HK\$5.7 million and a loss before tax of HK\$5.6 million. The turnover of the Group decreased by HK\$2.6 million as compared to that of the six months ended 30th June 2001. Since our major business is securities dealing and margin financing, such reduction in turnover was in line with the decrease in the overall market transaction volume and the weak performance of the Hong Kong stock market in the period under review. The loss before tax for the six months ended 30th June 2002 was reduced from HK\$10.9 million in 2001 to HK\$5.6 million in 2002. Such improvement is mainly due to better performance of the investments held by the Group and significant reduction in doubtful debt provision for the reporting period.

## FUTURE PROSPECTS

In view of the current economic condition, the Board believes it may take time for the economy to recover, especially the stock market and the property market. The Board believes the securities arm can perform much better once the economy improve and the stock market becomes active again.

In the meantime, the Group is constantly looking for new business opportunities but will exercise extra caution in the midst of the current unstable economic environment. The Management continues to carry out and implement plans to strengthen the core business whilst containing costs with the objective of placing the Group on a better footing.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Comment on segment information**

During the period under review the turnover of the securities brokering business accounted for 69% of the turnover of the Group. Geographically, turnover generated by businesses in Hong Kong accounted for more than 95% of the turnover of the Group.

### **Liquidity and capital structure**

The total borrowing of the Group as at 30th June 2002 amounted to HK\$93.7 million of which HK\$87.9 million were inter-company advances from Magnum Group of companies. The bank borrowings as at 30th June 2002 amounted to HK\$5.7 million, a significant reduction when compared to HK\$10.5 million as at 31st December 2001. The cash and cash equivalents as at 30th June 2002 were held in Hong Kong dollars, United States dollars and Philippines pesos and all bank borrowings were in Hong Kong dollars.

Investment properties and bank deposits with carrying values of HK\$30.0 million and HK\$5.0 million respectively were charged to banks to secure the bank borrowings.

The main funding of the Group is inter-company advances. The interest rates are charged at rates lower than the interest rates charged by the banks of the Group.

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 8.4.

### **Significant investment held**

The most significant investment held by the Group at 30th June 2002 was 755,000 shares of the Hong Kong Exchange and Clearing Limited (“HKEC”). The investment has recorded unrealised gain for the period ended 30th June 2002 when compared to that of 31st December 2001.

### **Acquisition and disposal**

On 8th February 2002, applications had been submitted to the Hong Kong Companies Registry to deregister 2 subsidiaries of the Group, Magnum Credit Limited and Lap Shun Trading Co., Limited, since the 2 subsidiaries had ceased to carry on business. Magnum Credit Limited and Lap Shun Trading Co., Limited were dissolved on 21st June 2002.

Apart from the foregoing, during the period under review, there was no acquisition and disposal of any subsidiaries or associates of the Group.

### **Exposure to fluctuation in exchange rates**

Since the Group’s main business is securities broking in Hong Kong, its exposure to fluctuation in exchange rates and currencies is minimal.

## **Remuneration of employees**

As at 30th June 2002, we had approximately 31 full time employees who were based in Hong Kong. The Group is continually recruiting new sale and marketing staff. The remuneration of employees is reviewed annually. Staff benefits include a medical scheme, mandatory provident fund, a share option scheme and discretionary bonus based on performance.

Apart from the 30,980,000, 1,400,000 and 6,000,000 share options granted to directors and employees at the exercise prices of HK\$0.37, HK\$0.21 and HK\$0.10 respectively in prior years, no additional share options was granted during the period. In addition, no share option was exercised during the period under review.

## **PURCHASE, REDEMPTION AND SALE OF THE COMPANY'S LISTED SECURITIES**

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 OF BEST PRACTICE**

The non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

Apart from the foregoing, none of the Directors of the Company is aware of information which would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Code").

## **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 comprised the two independent non-executive directors of the Company.

The unaudited interim financial statements for the six months ended 30th June 2002 have been reviewed by the audit committee.

## **PUBLICATION OF INTERIM RESULT**

All the information as required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board  
**Lim Teong Leong**  
*Chairman*

Hong Kong, 12th September 2002

*Please also refer to the published version of this announcement in the (The Standard)*