

## 1. BASIS OF PRESENTATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$7.3 million for the six months ended 30th June 2003. 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 amounts due by the Group, in the aggregate amount of HK\$87.9 million as at 30th June 2003 until a 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 assets of the Group of HK\$20 million as at 30th June 2003, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

## 2. 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 2002 except that the adoption of revised SSAP 12 "Income taxes" which is effective for accounting periods commenced on or after 1st January 2003.

SSAP 12 prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes.

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## 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:

|   | <b>Unaudited</b>        |           |
|---|-------------------------|-----------|
|   | <b>Six months ended</b> |           |
|   | <b>30th June</b>        |           |
|   | <b>2003</b>             | 2002      |
|   | <b>HK\$</b>             | HK\$      |
| Commission and interest income from securities dealing and margin finance | <b>1,671,534</b>        | 3,956,747 |
| Interest income from consumer finance                                     | <b>347,123</b>          | 402,911   |
| Property rental income  | <b>1,312,893</b>        | 1,378,866 |
|   | <b>3,331,550</b>        | 5,738,524 |

## 4. SEGMENT INFORMATION

### (a) Business segments

| Unaudited six months ended 30th June 2003                      |   |                     |                     |                  |                    |
|--|---|---------------------|---------------------|------------------|--------------------|
|  | Securities<br>dealing and<br>margin finance | Consumer<br>finance | Property<br>holding | Elimination      | Consolidation      |
|  | HK\$  | HK\$                | HK\$                | HK\$             | HK\$               |
| <b>Segment revenue:</b>  |   |                     |                     |                  |                    |
| Services provided to external customers                        | 1,671,534                                   | 347,123             | 1,312,893           | —                | 3,331,550          |
| Other revenue  | 377,092                                     | —                   | 155                 | —                | 377,247            |
| <b>Total Revenue</b>   | <b>2,048,626</b>                            | <b>347,123</b>      | <b>1,313,048</b>    | <b>—</b>         | <b>3,708,797</b>   |
| <b>Segment results</b>   | <b>(2,603,699)</b>                          | <b>(1,703,787)</b>  | <b>405,361</b>      | <b>1,285,432</b> | <b>(2,616,693)</b> |
| Unallocated revenue and gains                                  |   |                     |                     |                  | 31,800             |
| Unallocated expenses   |   |                     |                     |                  | (1,556,262)        |
| Finance costs  |   |                     |                     |                  | (4,141,155)        |
|  |   |                     |                     |                  | (3,202,423)        |
| Loss before tax  |   |                     |                     |                  | (7,343,578)        |
| Tax  |   |                     |                     |                  | —                  |
| Net loss from ordinary activities attributable to shareholders |   |                     |                     |                  | (7,343,578)        |

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## 4. SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

|  | Unaudited six months ended 30th June 2002           |                             |                             |                     |                       |
|--|---|-----------------------------|-----------------------------|---------------------|-----------------------|
|  | Securities<br>dealing and<br>margin finance<br>HK\$ | Consumer<br>finance<br>HK\$ | Property<br>holding<br>HK\$ | Elimination<br>HK\$ | Consolidation<br>HK\$ |
| <b>Segment revenue:</b>  |   |                             |                             |                     |                       |
| Services provided to<br>external customers                           | 3,956,747   | 402,911                     | 1,378,866                   | —                   | 5,738,524             |
| Other revenue  | 536,058   | 780                         | 252                         | —                   | 537,090               |
| <b>Total Revenue</b>   | <b>4,492,805</b>                                    | <b>403,691</b>              | <b>1,379,118</b>            | <b>—</b>            | <b>6,275,614</b>      |
| <b>Segment results</b>   | <b>(1,126,808)</b>                                  | <b>(1,562,237)</b>          | <b>676,699</b>              | <b>1,205,254</b>    | <b>(807,092)</b>      |
| Unallocated revenue and<br>gains                                     |   |                             |                             |                     | 68,645                |
| Unallocated expenses   |   |                             |                             |                     | (1,562,400)           |
|  |   |                             |                             |                     | (2,300,847)           |
| Finance costs  |   |                             |                             |                     | (3,257,970)           |
| Loss before tax  |   |                             |                             |                     | (5,558,817)           |
| Tax  |   |                             |                             |                     | —                     |
| Net loss from ordinary<br>activities attributable to<br>shareholders |   |                             |                             |                     | (5,558,817)           |

## 4. SEGMENT INFORMATION (continued)

### (b) Geographical segments

|   | Unaudited six months ended 30th June |              |              |              |                  |              |
|---|--------------------------------------|--------------|--------------|--------------|------------------|--------------|
|   | Hong Kong                            |              | Philippines* |              | Consolidated     |              |
|   | 2003<br>HK\$                         | 2002<br>HK\$ | 2003<br>HK\$ | 2002<br>HK\$ | 2003<br>HK\$     | 2002<br>HK\$ |
| <b>Segment revenue:</b>                 |                                      |              |              |              |                  |              |
| Services provided to external customers | <b>3,331,550</b>                     | 5,738,524    | —            | —            | <b>3,331,550</b> | 5,738,524    |
| Other revenue                           | <b>409,047</b>                       | 306,829      | —            | 298,906      | <b>409,047</b>   | 605,735      |
| <b>Total revenue</b>                    | <b>3,740,597</b>                     | 6,045,353    | —            | 298,906      | <b>3,740,597</b> | 6,344,259    |

\* On 3rd December 2001, the Company publicly announced the decision of its board of directors to discontinue the securities dealing and brokerage businesses in the Philippines. The Group planned to discontinue such operation by selling its assets and setting its liabilities in an orderly manner. The securities dealing and brokerage businesses in the Philippines represented a separate geographical area of operation of the Group.

During the financial year of 2002, the Group had substantially disposed of the assets and settled the liabilities of the operation in the Philippines except for the trading right of The Philippines Stock Exchange, Inc. (The "PSE") and the 50,000 ordinary shares of Peso 1 each in the PSE. The Group had decided to hold the trading right and the shares as investments of the Group. Therefore, the directors consider that the discontinuance was completed before 31st December 2002.

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## 5. RELATED PARTY TRANSACTIONS

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

|  |       | <b>Unaudited</b>        |           |
|--|-------|-------------------------|-----------|
|  |       | <b>Six months ended</b> |           |
|  |       | <b>30th June</b>        |           |
|  | Notes | <b>2003</b>             | 2002      |
|  |       | <b>HK\$</b>             | HK\$      |
| Interest expenses charged by a fellow subsidiary             | (i)   | <b>10,286</b>           | 10,945    |
| Interest expenses charged by the immediate holding company   | (ii)  | <b>1,865,061</b>        | 1,865,061 |
| Interest expenses charged by an intermediate holding company | (iii) | <b>1,566,413</b>        | 1,478,952 |
|  |       | <b>3,441,760</b>        | 3,354,958 |

Notes:

- (i) The balance is unsecured, bears interest at rates ranging from 0.95% to 0.96% (2002: 1.03%) per annum and is not repayable within one year.
- (ii) The balance is unsecured, bears interest at 7% (2002: 7%) per annum and is not repayable within one year.
- (iii) The balance is unsecured, bears interest at rates ranging from 6.5% to 6.9% (2002: 6.9%) per annum and is not repayable within one year.

## 6. LOSS FROM OPERATING ACTIVITIES

|   | <b>Unaudited</b>        |           |
|---|-------------------------|-----------|
|   | <b>Six months ended</b> |           |
|   | <b>30th June</b>        |           |
|   | <b>2003</b>             | 2002      |
|   | <b>HK\$</b>             | HK\$      |
| This is arrived at after charging:            |                         |           |
| Depreciation                                  | <b>241,398</b>          | 565,719   |
| Amortisation of intangible asset              | <b>252,955</b>          | 252,955   |
| and after crediting:                          |                         |           |
| Gain on disposal of short term<br>investments | —                       | 44,344    |
| Gain on disposal of fixed assets              | —                       | 70,292    |
| Interest income                               | <b>1,265,257</b>        | 2,224,788 |
| Dividend income from listed investments       | <b>323,960</b>          | 188,524   |
| Gross rental income                           | <b>1,312,893</b>        | 1,378,866 |
| Less: Outgoings                               | <b>(52,221)</b>         | (28,350)  |
| <b>Net rental income</b>                      | <b>1,260,672</b>        | 1,350,516 |

## 7. FINANCE COSTS

|  | <b>Unaudited</b>        |           |
|--|-------------------------|-----------|
|  | <b>Six months ended</b> |           |
|  | <b>30th June</b>        |           |
|  | <b>2003</b>             | 2002      |
|  | <b>HK\$</b>             | HK\$      |
| Interest on bank loans and overdrafts wholly repayable within five years | <b>112,402</b>          | 280,954   |
| Interest expenses on amounts due to related parties                      | <b>3,441,760</b>        | 3,354,958 |
|  | <b>3,554,162</b>        | 3,635,912 |

## 8. TAX

No provision for profits tax has been made as the Group had no assessable profits for the period (2002: Nil).

## 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\$7,343,578 (2002: HK\$5,558,817) and on the 615,024,175 (2002: 615,024,175) ordinary shares in issue throughout the period.

Diluted loss per share for the periods ended 30th June 2003 and 2002 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.



## 10. INTERIM DIVIDEND

As at 30th June 2003, the Company did not have any reserves available for cash/in specie dividend distribution.

## 11. INTANGIBLE ASSET

|  | <b>Unaudited</b> |
|--|------------------|
|  | HK\$             |
| <hr/> <hr/>                              |                  |
| Cost:                                    |                  |
| At 1st January 2003 and 30th June 2003   | 8,728,218        |
| Accumulated amortisation and impairment: |                  |
| At beginning of period                   | 3,295,664        |
| Amortised during the period              | 252,955          |
| At 30th June 2003                        | 3,548,619        |
| Net book value:                          |                  |
| At 30th June 2003                        | 5,179,599        |
| At 31st December 2002                    | 5,432,554        |

## 12. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

- (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:

|              | <b>Unaudited<br/>30th June<br/>2003<br/>HK\$</b> | Audited<br>31st December<br>2002<br>HK\$ |
|--------------|--|--|
| Not yet due  | <b>3,528,094</b>                                 | 1,075,631                                |
| 0–30 days    | <b>729,160</b>                                   | 803,974                                  |
| Over 30 days | <b>201,079</b>                                   | 56,703                                   |
|              | <b>4,458,333</b>                                 | 1,936,308                                |

- (b) Details of the accounts payable and accrued liabilities of the Group as at the balance sheet date are as follows:

### Accounts payable:

|                     | <b>Unaudited<br/>30th June<br/>2003<br/>HK\$</b> | Audited<br>31st December<br>2002<br>HK\$ |
|---------------------|--|--|
| Not yet due         | <b>5,003,318</b>                                 | 1,333,866                                |
| 0–30 days           | <b>9,559,179</b>                                 | 677,334                                  |
| Over 30 days        | <b>2,192,225</b>                                 | 1,005,449                                |
|                     | <b>16,754,722</b>                                | 3,016,649                                |
| Accrued liabilities | <b>34,880,900</b>                                | 31,930,123                               |
|                     | <b>51,635,622</b>                                | 34,946,772                               |

## 13. SHORT TERM INVESTMENTS

|   | <b>Unaudited<br/>30th June<br/>2003<br/>HK\$</b> | Audited<br>31st December<br>2002<br>HK\$ |
|---|--|--|
| Listed equity investments, at market value: |  |  |
| Hong Kong                                   | <b>9,075,900</b>                                 | 7,951,600                                |
| Elsewhere                                   | <b>71,844</b>                                    | 76,000                                   |
|   | <b>9,147,744</b>                                 | 8,027,600                                |
| Unlisted equity investments, at fair value  | <b>882,353</b>                                   | 882,353                                  |
|   | <b>10,030,097</b>                                | 8,909,953                                |

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## 14. SHARE CAPITAL

|   | <b>Unaudited<br/>30th June<br/>2003<br/>HK\$</b> | Audited<br>31st December<br>2002<br>HK\$ |
|---|--|--|
| Authorised:<br>1,000,000,000 ordinary<br>shares of HK\$0.10 each          | <b>100,000,000</b>                               | 100,000,000                              |
| Issued and fully paid:<br>615,024,175 ordinary shares<br>of HK\$0.10 each | <b>61,502,418</b>                                | 61,502,418                               |

## 15. APPROVAL OF THE INTERIM FINANCIAL REPORT

These interim financial report was approved by the board of directors on 17th September 2003.