



Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2002

RESULTS

The Directors of Magnum International Holdings Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2002 together with the comparative figures for the previous year as follows:

	Notes	2002 HK\$	2001 HK\$
TURNOVER	2		
Continuing operations		9,920,099	13,673,804
Discontinued operations	3	<u>—</u>	<u>649,643</u>
		9,920,099	14,323,447
Other revenue and gains		960,033	1,195,580
Administrative expenses		(13,478,599)	(15,315,476)
Other operating expenses		(3,094,359)	(7,315,836)
Provision for doubtful debts		(3,062,561)	(6,615,105)
Deficit on revaluation of investment properties		(2,092,498)	(2,049,603)
Unrealised holding losses on short term investments		(1,582,797)	(4,888,991)
Impairment of intangible assets		(1,904,412)	—
Impairment of other assets		—	(448,529)
Exchange losses realised upon discontinued operations		<u>—</u>	<u>(22,725,356)</u>
LOSS FROM OPERATING ACTIVITIES	5	(14,335,094)	(43,839,869)
Finance costs	6	<u>(7,504,116)</u>	<u>(8,019,885)</u>
LOSS BEFORE TAX			
Continuing operations		(21,541,990)	(26,118,852)
Discontinued operations	3	<u>(297,220)</u>	<u>(25,740,902)</u>
		(21,839,210)	(51,859,754)
Tax	7	<u>(151,770)</u>	<u>—</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(21,990,980)</u>	<u>(51,859,754)</u>
LOSS PER SHARE	8		
Basic		<u>(3.58 cents)</u>	<u>(8.43 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAPs”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain fixed assets and equity investments.

2. TURNOVER AND SEGMENT INFORMATION

The current year’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:

	Group	
	2002	2001
	HK\$	HK\$
Commission and interest income from securities dealing and margin finance	6,471,998	11,166,810
Interest income from consumer finance	762,260	1,000,240
Property rental income	2,685,841	2,156,397
	<u>9,920,099</u>	<u>14,323,447</u>

(a) Business segments

The following table present revenue and loss for the Group’s business segments.

	Securities dealing and margin finance		Consumer finance		Property holding		Elimination		Consolidated	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Segment revenue:										
Services provided to external customers	6,471,998	11,166,810	762,260	1,000,240	2,685,841	2,156,397	—	—	9,920,099	14,323,447
Other revenue	634,114	1,097,185	780	—	—	7,076	—	—	634,894	1,104,261
Total revenue	<u>7,106,112</u>	<u>12,263,995</u>	<u>763,040</u>	<u>1,000,240</u>	<u>2,685,841</u>	<u>2,163,473</u>	<u>—</u>	<u>—</u>	<u>10,554,993</u>	<u>15,427,708</u>
Segment results	<u>(8,113,532)</u>	<u>(33,186,443)</u>	<u>(5,494,384)</u>	<u>(8,309,298)</u>	<u>(1,025,545)</u>	<u>(2,530,203)</u>	<u>2,425,147</u>	<u>2,811,530</u>	<u>(12,208,314)</u>	<u>(41,214,414)</u>
Unallocated revenue and gains									325,139	91,319
Unallocated expenses									<u>(3,401,554)</u>	<u>(3,562,859)</u>
									<u>(15,284,729)</u>	<u>(44,685,954)</u>
Finance costs									<u>(6,554,481)</u>	<u>(7,173,800)</u>
Loss before tax									<u>(21,839,210)</u>	<u>(51,859,754)</u>
Tax									<u>(151,770)</u>	<u>—</u>
Net loss from ordinary activities attributable to shareholders									<u>(21,990,980)</u>	<u>(51,859,754)</u>

(b) **Geographical segments**

The following table present revenue for the Group's geographical segments.

	Hong Kong		Philippines		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:								
Services provided to external customers	9,920,099	13,673,804	—	649,643	—	—	9,920,099	14,323,447
Other revenue	654,220	501,955	305,813	693,625	—	—	960,033	1,195,580
Total revenue	<u>10,574,319</u>	<u>14,175,759</u>	<u>305,813</u>	<u>1,343,268</u>	<u>—</u>	<u>—</u>	<u>10,880,132</u>	<u>15,519,027</u>

3. DISCONTINUED OPERATIONS

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 securities dealing and brokerage businesses in the Philippines represented a separate geographical area of operation of the Group. The discontinuance was completed before year ended 31st December 2002.

In the prior year, such cessation of business did not constitute a discontinued operation under the definition in SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies" and accordingly no such discontinued operations disclosures were required under SSAP 2 to be disclosed in the financial statements for the year ended 31st December 2001. However, the Group's securities dealing and brokerage businesses in the Philippines constituted a separate geographical area of the Group's operations, its disposal constitutes a discontinued operation under the wider definition in SSAP 33 "Discontinuing operations" which is adopted in the current year. Therefore, additional disclosures concerning this discontinued operation are now included in the Group's financial statements.

4. RELATED PARTY TRANSACTIONS

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

	Group	
	2002	2001
	HK\$	HK\$
Interest expenses charged by a fellow subsidiary	21,876	59,741
Interest expenses charged by the immediate holding company	3,975,089	3,720,878
Interest expenses charged by an intermediate holding company	<u>3,034,971</u>	<u>2,919,871</u>

5. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging:

	Group	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Depreciation	892,019	1,595,323
Amortisation of intangible assets	505,910	505,910
Write-off of fixed assets	—	13,181
Loss on disposal of short term investments and after crediting:	<u>—</u>	<u>112,500</u>
Exchange gains, net	234,115	4,698
Dividend income from listed investments	249,287	270,510
Interest income	3,855,405	6,106,232
Gain on disposal of fixed assets	72,044	—
Gain on disposal of short term investments	<u>44,344</u>	<u>—</u>

6. FINANCE COSTS

	Group	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	472,180	1,319,395
Interest expense on amounts due to related parties	<u>7,031,936</u>	<u>6,700,490</u>
	<u>7,504,116</u>	<u>8,019,885</u>

7. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong profits tax:		
Provision for the year	130,138	—
Prior year underprovision	<u>21,632</u>	<u>—</u>
Tax charge for the year	<u>151,770</u>	<u>—</u>

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$21,990,980 (2001: HK\$51,859,754) and the weighted average of 615,024,175 (2001: 615,024,175) ordinary shares in issue throughout the year.

Diluted loss per share for the years ended 31st December 2002 and 2001 have not been shown as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

DIVIDEND

At the balance sheet date, the Company did not have any reserves available for cash/in specie dividend distributions (2001: Nil).

BUSINESS REVIEW

For the year ended 31st December 2002, the Group recorded a turnover of HK\$9.9 million and a loss before tax of HK\$21.8 million. The turnover of the Group decreased by HK\$4.4 million as compared to the year ended 31st December 2001 and this reduction was in line with the decrease in the overall market transaction volume as a result of weak performance of the Hong Kong Stock Exchange.

The loss before tax for the year decreased from HK\$51.9 million in 2001 to HK\$21.8 million in 2002 and this was mainly attributable to the HK\$22.7 million exchange losses realized upon cessation of the Philippines securities business in 2001. In addition, the strengthened internal and credit control measures implemented have resulted in the reduction of operating costs and doubtful debts provision in 2002. As with last year, the loss before tax in the current year is mainly due to provision for unrealized losses for investments, provision for doubtful debts, diminution in value of the investment properties and financial cost on borrowings.

FUTURE PROSPECTS

The current economic condition of Hong Kong is unfavourable and could be further worsen by the effect of the Iraq war and outbreak of the Severe Acute Respiratory Syndrome (“SARS”). The passive stock market and property market, deflation, high unemployment rate, low domestic spending and uncertain global environment represent challenges to the business growth of the Group. In view of the present business environment, the Board remains cautious and management will continue to implement proactive plans to strengthen the core business of the Group whilst containing costs with the objective of placing the Group on a stronger footing.

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

As the economy gradually improves and market sentiment picks up, your Board believes that the Group can achieve better results in the year ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

Comment on segment information

During the year under review, the turnover of the securities brokering business accounted for over 65% 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 31st December 2002 amounted to HK\$91.7 million, of which HK\$87.9 million were intercompany advances from Magnum Corporation Berhad Group in Malaysia. The bank borrowings as at 31st December 2002 amounted to HK\$3.8 million, which

were significantly reduced when compared to the amount of HK\$10.5 million as at 31st December 2001. The cash and cash equivalents as at 31st December 2002 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.

Investment properties and bank deposits with carrying values of HK\$27.8 million and HK\$5.0 million respectively were charged to banks to secure the above-mentioned bank borrowings.

The main funding of the Group is from intercompany advances. The interest rates are charged at rates lower than the interest rates charged by the banks of the Group.

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 3.29.

Significant investment held

The most significant investment held by the Group as at 31st December 2002 was 755,000 shares of the Hong Kong Exchanges and Clearing Limited ("HKEC"). The investment has recorded an unrealised loss due to the poor performance of the share price of HKEC which was in line with the Hong Kong stock market.

Acquisition and disposal

During the year under review, there was no acquisition or disposal of any subsidiaries or associates of the Group.

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

As at the balance sheet date, the Group had approximately 31 full-time employees who were 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 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 (including executive directors and non-executive directors) and employees respectively at 8th July 2002 at the exercise price of HK\$0.111. However, 14,000,000 and 1,228,000 share options granted to directors and independent directors, respectively, were withdrawn during the year. No share options were exercised during the year under review.

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 year.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement of the Company for the year ended 31st December 2002 containing all the Information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Lim Teong Leong
Chairman

Hong Kong, 15th April 2003

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Garden Rooms, 2/F., The Royal Garden Hotel, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 10 June 2003, Tuesday at 3:00 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31st December 2002.
2. To re-elect Directors, to fix the maximum number of Directors and to authorize the Board of Directors to fix their remuneration.
3. To appoint Messrs Ernst & Young as auditors and to authorize the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held.”;

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or dealt with during or after the end of the Relevant Period (as defined below), be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible grantee pursuant to the scheme of shares or rights to acquire shares of the Company, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, the total nominal amount of additional shares to be issued, allotted, dealt with or agreed conditionally or unconditionally to be issued, allotted or dealt with shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and
- (b) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held.”

6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT the general mandate granted to the Directors of the Company pursuant to resolution no. 5 above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total nominal amount of shares in the capital of the Company repurchased by the Company pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares since the granting of such general mandate referred to in the above resolution no. 4, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution.”

7. To cancel the undernoted share options granted on 8th July, 2002 to the following Grantees under the New Share Option Scheme adopted on 11th June, 2002 as per the voluntary requests made by the Grantees for the reason of being an employee of Magnum Corporation Berhad (“MCB”), the Company’s ultimate holding company, each could only participate in one employees’ share option scheme within the MCB Group and each of them has already participated in MCB’s Employees’ Share Option Scheme:

Name of Grantee	Number of Share Options Granted	Subscription Price Per Share (HK\$)
Mr. Lim Teong Leong	6,000,000	0.111
Mr. Tam Cheok Wing	5,000,000	0.111
Mr. Ooi Sin Heng	3,000,000	0.111
Ms. Gan Cheong Ann	614,000	0.111
Ms. Kwan Huey Jin	614,000	0.111

By Order of the Board
Lim Teong Leong
Chairman

Hong Kong, 15th April, 2003

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of authority must be lodged with the Company’s Hong Kong share registrars, Tengis Limited at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or adjourned Meeting.
3. An explanatory statement containing further details regarding Resolutions 4 to 6 above will be sent to shareholders together with this notice.

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