



Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2003

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 2003 together with the comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30th June	
		2003	2002
	Notes	HK\$	HK\$
Turnover	2	3,331,550	5,738,524
Other revenue and gains		409,047	605,735
Administrative expenses		(6,803,765)	(6,667,737)
Other operating expenses		(1,499,269)	(2,305,871)
Write back of provision/(provision for) doubtful debts		(347,123)	167,444
Unrealised holding gains on short term investments		<u>1,120,144</u>	<u>539,000</u>
LOSS FROM OPERATING ACTIVITIES	4	(3,789,416)	(1,922,905)
Finance costs	5	<u>(3,554,162)</u>	<u>(3,635,912)</u>
LOSS BEFORE TAX		(7,343,578)	(5,558,817)
Tax	6	<u>—</u>	<u>—</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(7,343,578)</u>	<u>(5,558,817)</u>
LOSS PER SHARE	7		
Basic		<u>(1.19 cents)</u>	<u>(0.90 cent)</u>
Diluted		<u>N/A</u>	<u>N/A</u>
INTERIM DIVIDEND	8	<u>Nil</u>	<u>Nil</u>

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 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.

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:

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

(a) Business segments

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

(a) **Business segments (continued)**

	Unaudited six months ended 30th June 2002				
	Securities dealing and margin finance HK\$	Consumer finance HK\$	Property holding HK\$	Elimination HK\$	Consolidation HK\$
Segment revenue:					
Services provided to external customers	3,956,747	402,911	1,378,866	—	5,738,524
Other revenue	<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>
Segment results	<u>(1,126,808)</u>	<u>(1,562,237)</u>	<u>676,699</u>	<u>1,205,254</u>	<u>(807,092)</u>
Unallocated revenue and gains					68,645
Unallocated expenses					<u>(1,562,400)</u>
Finance costs					<u>(2,300,847)</u> <u>(3,257,970)</u>
Loss before tax					(5,558,817)
Tax					<u>—</u>
Net loss from ordinary activities attributable to shareholders					<u>(5,558,817)</u>

(b) **Geographical segments**

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

* 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 settling 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.

3. RELATED PARTY TRANSACTIONS

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

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

4. LOSS FROM OPERATING ACTIVITIES

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$	HK\$
This is arrived at after charging:		
Depreciation	241,398	565,719
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	1,265,257	2,224,788
Dividend income from listed investments	323,960	188,524
Gross rental income	1,312,893	1,378,866
Less: Outgoings	<u>(52,221)</u>	<u>(28,350)</u>
Net rental income	<u>1,260,672</u>	<u>1,350,516</u>

5. FINANCE COSTS

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

6. TAX

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

8. INTERIM DIVIDEND

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

BUSINESS REVIEW

For the six months ended 30th June 2003, the Group recorded a turnover of HK\$3.3 million and a loss before tax of HK\$7.3 million. The turnover of the Group decreased by HK\$2.4 million as compared to that of the six months ended 30th June 2002. Such reduction was in line with the decrease in the overall market transaction volume as a result of weak performance of the Hong Kong stock market especially during the period of the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) and the Iraq war.

The loss before tax for the six months ended 30th June 2003 increased to HK\$7.3 million from HK\$5.6 million in 2002. Such increase in loss before tax was mainly because of the reduction in brokerage turnover in the period reported.

FUTURE PROSPECTS

Although some of the economic activities seem to be recovering after the SARS, the overall economic condition of Hong Kong is still unfavourable. The passive stock market and weak property market, deflation, high unemployment rate, high bankruptcy 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 second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Comment on segment information

During the period under review, the turnover of the securities brokering business accounted for over 50% 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 30th June 2003 amounted to HK\$90.6 million, of which HK\$87.9 million were intercompany advances from Magnum Corporation Berhad Group in Malaysia. The bank borrowings as at 30th June 2003 amounted to HK\$2.7 million, which were reduced further when compared to the amount of HK\$3.8 million as at 31st December 2002. The cash and cash equivalents as at 30th June 2003 were mainly held in Hong Kong dollars. Small amounts of cash were in 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 enable the Group 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 2.56.

Significant investment held

The most significant investment held by the Group as at 30th June 2003 was 755,000 shares of the Hong Kong Exchanges and Clearing Limited ("HKEC"). The investment has recorded an unrealised gain for six months ended 30th June 2003 due to the improved performance of the share price of HKEC.

Acquisition and disposal

On 1st May 2003, Fixtron Limited, a wholly owned subsidiary of the Group, was struck-off from the register of the British Virgin Islands Companies Registry.

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

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 30th June 2003, the Group had approximately 30 full-time employees who were all based in Hong Kong. The Group continuously recruits new account executives. The remuneration of employees is reviewed annually. Staff benefits include a medical scheme, provident fund, a share option scheme and a discretionary bonus based on performance.

During the six months ended 30th June 2003, no share options were granted or exercised. 450,000 share options lapsed during the period and 15,228,000 share options, which were withdrawn by the directors in 2002, were cancelled on 10th June 2003 as mentioned in the 2002 Annual Report of the Company.

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 period under review.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the interim report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

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 comprises the two independent non-executive directors of the Company.

The unaudited interim financial statements for the six months ended 30th June 2003 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 of Hong Kong Limited in due course.

By order of the Board

Lim Teong Leong

Chairman

Hong Kong, 17th September 2003

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