



Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 305)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2003

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 2003 together with the comparative figures for the previous year as follows:

	Notes	2003 HK\$	2002 HK\$ (Restated)
TURNOVER	3	7,826,494	9,920,099
Other revenue and gains		636,340	960,033
Administrative expenses		(13,004,570)	(13,478,599)
Other operating expenses		(3,442,782)	(3,094,359)
Unrealised holding gains/(losses) on short term investments		5,929,051	(1,582,797)
Deficit on revaluation of investment properties		(1,120,000)	(2,092,498)
Provision for doubtful debts		(671,693)	(3,062,561)
Impairment of intangible assets		<u>(475,352)</u>	<u>(1,904,412)</u>
LOSS FROM OPERATING ACTIVITIES	6	(4,322,512)	(14,335,094)
Finance costs	7	<u>(7,199,732)</u>	<u>(7,504,116)</u>
LOSS BEFORE TAX			
Continuing operations		(11,522,244)	(21,541,990)
Discontinued operations	4	<u>—</u>	<u>(297,220)</u>
		(11,522,244)	(21,839,210)
Tax	8	<u>(74,063)</u>	<u>(202,339)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(11,596,307)</u>	<u>(22,041,549)</u>
LOSS PER SHARE	9		
Basic		<u>(1.89 cents)</u>	<u>(3.58 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 certain equity investments and investment properties.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

The revised SSAP 12 “Income tax” is effective for the first time for the current year’s financial statements.

SSAP 12 prescribes the 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). Certain prior years’ adjustments were made due to the adoption of the revised SSAP 12, but the effect of such prior years’ adjustments are considered to be not significant to the net assets of the Group.

3. 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	
	2003	2002
	HK\$	HK\$
Commission and interest income from securities dealing and margin finance	4,792,621	6,471,998
Interest income from consumer finance	700,000	762,260
Property rental income	2,333,873	2,685,841
	<u>7,826,494</u>	<u>9,920,099</u>

(a) Business segments

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

	Securities dealing and margin finance		Consumer finance		Property holding		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
										(Restated)
Segment revenue:										
Services provided to external customers	4,792,621	6,471,998	700,000	762,260	2,333,873	2,685,841	—	—	7,826,494	9,920,099
Other revenue	570,329	634,114	—	780	835	—	—	—	571,164	634,894
Total revenue	5,362,950	7,106,112	700,000	763,040	2,334,708	2,685,841	—	—	8,397,658	10,554,993
Segment results	(681,117)	(8,113,532)	(900,908)	(5,494,384)	(811,583)	(1,025,545)	—	2,425,147	(2,393,608)	(12,208,314)
Unallocated revenue and gains									65,176	325,139
Unallocated expenses									(2,808,667)	(3,401,554)
Finance costs									(5,137,099)	(15,284,729)
									(6,385,145)	(6,554,481)
Loss before tax									(11,522,244)	(21,839,210)
Tax									(74,063)	(202,339)
Net loss from ordinary activities attributable to shareholders									<u>(11,596,307)</u>	<u>(22,041,549)</u>

(b) **Geographical segments**

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

	Hong Kong		Philippines		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:								
Services provided to external customers	7,826,494	9,920,099	—	—	—	—	7,826,494	9,920,099
Other revenue	636,001	654,220	339	305,813	—	—	636,340	960,033
Total revenue	<u>8,462,495</u>	<u>10,574,319</u>	<u>339</u>	<u>305,813</u>	<u>—</u>	<u>—</u>	<u>8,462,834</u>	<u>10,880,132</u>

4. 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 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 year ended 31st December 2002, the Group had substantially disposed of the assets and settled the liabilities of the operation in the Philippines except for trading right (the "PSE Trading Right") and the shares (the "PSE Shares") of the Philippines Stock Exchange, Inc. The Group had decided to hold the PSE Trading Right and the PSE Shares as investments of the Group. Therefore, the directors consider that the discontinuance was completed before 31st December 2002.

5. RELATED PARTY TRANSACTIONS

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

	Group	
	2003	2002
	HK\$	HK\$
Interest expenses charged by a fellow subsidiary	18,823	21,876
Interest expenses charged by the immediate holding company	3,865,146	3,975,089
Interest expenses charged by an intermediate holding company	<u>3,132,450</u>	<u>3,034,971</u>

6. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging:

	Group	
	2003	2002
	HK\$	HK\$
Exchange losses, net	108,804	—
Depreciation	425,924	892,019
Amortisation of intangible assets	505,910	505,910
Write-off of fixed assets	5,328	—
Loss on disposal of listed equity investments	<u>15,700</u>	<u>—</u>

and after crediting:

Exchange gains, net	—	234,115
Dividend income from listed investments	475,963	249,287
Interest income	2,536,918	3,855,405
Gain on disposal of fixed assets	—	72,044
Gain on disposal of listed equity investments	<u>—</u>	<u>44,344</u>

7. FINANCE COSTS

	Group	
	2003	2002
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	183,313	472,180
Interest expense on amounts due to holding companies and a fellow subsidiary	<u>7,016,419</u>	<u>7,031,936</u>
	<u>7,199,732</u>	<u>7,504,116</u>

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31st December 2003.

	Group	
	2003	2002
	HK\$	HK\$
		(Restated)
Hong Kong profits tax:		
Provision for the year	—	130,138
Prior year underprovision	—	21,632
Deferred tax	<u>74,063</u>	<u>50,569</u>
Tax charge for the year	<u>74,063</u>	<u>202,339</u>

9. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$11,596,307 (2002: HK\$22,041,549 (restated)) and the weighted average of 615,024,175 (2002: 615,024,175) ordinary shares in issue throughout the year.

Diluted loss per share for the years ended 31st December 2003 and 2002 have not been disclosed, as no anti-dilutive events existed during the years.

DIVIDEND

At the balance sheet date, the Company did not have any reserves available for cash/in specie dividend distributions (2002: Nil).

BUSINESS REVIEW

For the year ended 31st December 2003, the Group recorded a turnover of HK\$7.8 million and a loss before tax of HK\$11.5 million. The turnover of the Group decreased by HK\$2.1 million as compared to the year ended 31st December 2002 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 market during and after the period of the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) in 2003.

The loss before tax for the year decreased from HK\$21.8 million in 2002 to HK\$11.5 million in 2003. Such reduction in loss before tax was mainly because the Group recorded unrealized profit for the investments of the Group, mainly shares of the Hong Kong Exchange in the second half of 2003. As with last year, the loss before tax in the current year mainly comprises administrative and operating expenses, diminution in value of the investment properties and financial cost on borrowings.

FUTURE PROSPECTS

Although the economy of Hong Kong has been recovering after the SARS, there are still many uncertainties that block the development and recovery of the economy. The unstable stock 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 pick 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 61% 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 2003 amounted to HK\$89.8 million, of which HK\$87.9 million were intercompany advances from Magnum Corporation Berhad Group in Malaysia. The bank borrowings as at 31st December 2003 amounted to HK\$1.9 million, which were significantly reduced when compared to the amount of HK\$3.8 million as at 31st December 2002. The cash and cash equivalents as at 31st December 2003 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.

Certain investment properties and bank deposits with carrying values of HK\$26.7 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 1.89.

Significant investment held

The most significant investment held by the Group as at 31st December 2003 was 755,000 shares of the Hong Kong Exchanges and Clearing Limited ("HKEC"). The investment has recorded an unrealised gain due to the improved performance of the share price of HKEC which was in line with the Hong Kong stock market.

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.

On 30th July 2003, Ample Profits Limited, a subsidiary of the Group, was sold to Magnum (Guernsey) Limited, the immediate holding company, according to Rule 14.24(5) of the Listing Rules of the Hong Kong Stock Exchange (the "Listing Rules").

Apart from the foregoing, there was no acquisition or disposal of any subsidiaries or associates of the Group during the year 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 the balance sheet date, the Group had approximately 29 full-time employees who were all 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 a 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 and employees, respectively, on 8th July 2002 at an exercise price of HK\$0.111. 15,228,000 share options granted to directors had been cancelled immediately following the approval of the shareholders at the Annual General Meeting on 10 June 2003. Apart from the above, 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.

PROPOSED AMENDMENTS TO BYE-LAWS OF THE COMPANY

The Directors note that the Stock Exchange has recently announced amendments to the Listing Rules (which come into effect on 31st March 2004) relating to, inter alia, the articles of association of listed issuers. The Directors therefore propose to amend certain clauses of the existing Bye-Laws of the Company to ensure compliance with the amended provisions of the Listing Rules. For details, please refer to the notice of the 2004 annual general meeting and the circular to be sent to shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement of the Company for the year ended 31st December 2003 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, 26th April 2004

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Lim Teong Leong, Mr. Tam Cheok Wing, Mr. Ooi Sin Heng and Mr. Chan Hon Ming as executive directors and Ms. Gan Cheong Ann and Ms. Kwan Huey Jin as independent non-executive directors.

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