



# Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 305)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2004

The directors of Magnum International Holdings Limited (the “Company”) herein present the unaudited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2004 together with the comparative figures as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Unaudited	
		Six months ended 30th June 2004	2003
		HK\$	HK\$
			(Restated)
Turnover	2	4,267,645	3,331,550
Other revenue and gains		1,370,876	409,047
Administrative expenses		(6,180,182)	(6,803,765)
Other operating expenses		(1,535,966)	(1,499,269)
Unrealised holding gains/(losses) on short term investments		(635,355)	1,120,144
Provision for doubtful debts		<u>(197,132)</u>	<u>(347,123)</u>
<b>LOSS FROM OPERATING ACTIVITIES</b>	4	<b>(2,910,114)</b>	<b>(3,789,416)</b>
Finance costs	5	<u>(3,161,869)</u>	<u>(3,554,162)</u>
<b>LOSS BEFORE TAX</b>		<b>(6,071,983)</b>	<b>(7,343,578)</b>
Tax	6	<u>—</u>	<u>(50,037)</u>
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b><u>(6,071,983)</u></b>	<b><u>(7,393,615)</u></b>
<b>LOSS PER SHARE</b>	7		
Basic		<u>(0.99 cent)</u>	<u>(1.20 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>
<b>INTERIM DIVIDEND</b>	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 Institute of Certified Public 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 2003.

## 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 Six months ended 30th June</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Commission and interest income from securities dealing and margin finance	2,788,981	1,671,534
Interest income from consumer finance	349,041	347,123
Property rental income	<u>1,129,623</u>	<u>1,312,893</u>
	<u><b>4,267,645</b></u>	<u><b>3,331,550</b></u>

### Business segments

	<b>Unaudited six months ended 30th June 2004</b>				
	<b>Securities dealing and margin finance HK\$</b>	<b>Consumer finance HK\$</b>	<b>Property holding HK\$</b>	<b>Elimination HK\$</b>	<b>Consolidation HK\$</b>
<b>Segment revenue:</b>					
Services provided to external customers	2,788,981	349,041	1,129,623	—	4,267,645
Other revenue	<u>1,346,177</u>	—	<u>400</u>	—	<u>1,346,577</u>
Total Revenue	<u><b>4,135,158</b></u>	<u><b>349,041</b></u>	<u><b>1,130,023</b></u>	<u><b>—</b></u>	<u><b>5,614,222</b></u>
<b>Segment results</b>	<u><b>(1,951,484)</b></u>	<u><b>(29,747)</b></u>	<u><b>(93,228)</b></u>	<u><b>—</b></u>	<u><b>(2,074,459)</b></u>
Unallocated revenue and gains					24,299
Unallocated expenses					<u>(1,235,789)</u>
Unallocated finance costs					<u>(3,285,949)</u>
Loss before tax					<u>(2,786,034)</u>
Tax					<u>(6,071,983)</u>
Net loss from ordinary activities attributable to shareholders					<u><b>(6,071,983)</b></u>

Unaudited six months ended 30th June 2003

	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> <i>(Restated)</i>
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>2,048,626</u>	<u>347,123</u>	<u>1,313,048</u>	—	<u>3,708,797</u>
Segment results	<u>(2,603,699)</u>	<u>(1,703,787)</u>	<u>405,361</u>	<u>1,285,432</u>	(2,616,693)
Unallocated revenue and gains					31,800
Unallocated expenses					<u>(1,556,262)</u>
					(4,141,155)
Unallocated finance costs					<u>(3,202,423)</u>
Loss before tax					(7,343,578)
Tax					<u>(50,037)</u>
Net loss from ordinary activities attributable to shareholders					<u>(7,393,615)</u>

### 3. RELATED PARTY TRANSACTIONS

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

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2004</b>	<b>2003</b>
	<b><i>HK\$</i></b>	<b><i>HK\$</i></b>
Interest expenses charged by a fellow subsidiary	—	10,286
Interest expenses charged by immediate holding company	<b>1,490,949</b>	1,865,061
Interest expenses charged by an intermediate holding company	<u><b>1,598,034</b></u>	<u>1,566,413</u>
	<u><b>3,088,983</b></u>	<u>3,441,760</u>

### 4. LOSS FROM OPERATING ACTIVITIES

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2004</b>	<b>2003</b>
	<b><i>HK\$</i></b>	<b><i>HK\$</i></b>
This is arrived at after charging:		
Depreciation	<b>139,450</b>	241,398
Amortisation of intangible asset	<u><b>252,955</b></u>	<u>252,955</u>

and after crediting:

Gain on disposal of short term listed equity investments	1,176,500	—
Gain on disposal of fixed assets	400	—
Interest income	1,464,292	1,265,257
Dividend income from listed equity investments	112,676	323,960
Gross rental income	1,129,623	1,312,893
Less: Outgoings	<u>(47,490)</u>	<u>(52,221)</u>
Net rental income	<u>1,082,133</u>	<u>1,260,672</u>

## 5. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	72,886	112,402
Interest expense on amounts due to holding companies and a fellow subsidiary	<u>3,088,983</u>	<u>3,441,760</u>
	<u>3,161,869</u>	<u>3,554,162</u>

## 6. TAX

No provision for profits tax has been made as the Group had no assessable profits for the period (2003: HK\$50,037 (restated)).

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
		<i>(Restated)</i>
Hong Kong profits tax		
Deferred tax	<u>—</u>	<u>50,037</u>

Due to the adoption of SSAP12 (revised), the prior year balance had been restated.

## 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\$6,071,983 (2003: HK\$7,393,615 (restated)) and the weighted average of 615,024,175 (2003: 615,024,175) ordinary shares in issue throughout the period.

Diluted loss per share for the periods ended 30th June 2004 and 2003 have not been disclosed as no anti-dilutive events existed during the periods.

## 8. INTERIM DIVIDEND

As at 30th June 2004, the Company did not have any reserves available for cash/in specie dividend distribution.

## **BUSINESS REVIEW**

For the six months ended 30th June 2004, the Group recorded a turnover of HK\$4.3 million and a loss before tax of HK\$6.1 million. The turnover of the Group increased by HK\$1.0 million as compared to that of the six months ended 30th June 2003. Such improvement is because in the same period in 2003, the stock market was adversely affected by the outbreak of the Severe Acute Respiratory Syndrome (“SARS”).

The loss before tax for the six months ended 30th June 2004 decreased from HK\$7.3 million in 2003 to HK\$6.1 million in 2004. Such reduction in loss before tax was mainly because of the increase of turnover and the Group recorded realised profit for the security investment of the Group during the period under review.

## **FUTURE PROSPECTS**

Although the economy of Hong Kong has been recovering since the last quarter of 2003, there are still many uncertainties that hinder the development and recovery of the economy. The unstable stock market, 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 second half of the year ahead.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Comment on segment information**

During the period 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 30th June 2004 amounted to HK\$75.2 million, of which HK\$73.9 million were intercompany advances from Magnum Corporation Berhad Group in Malaysia. The bank borrowings as at 30th June 2004 amounted to HK\$1.3 million, which were reduced when compared to the amount of HK\$1.9 million as at 31st December 2003. The cash and cash equivalents as at 30th June 2004 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 1.64.

### **Significant investment held**

The Group holds some investments in Hong Kong and Philippines listed shares. As at 30th June 2004, such investments amounted to HK\$1.5 million.

### **Acquisition and disposal**

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 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 with 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 10th June 2003. Apart from the above, no share options were exercised during the period 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 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 2004 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, 16th September 2004

At the date of this announcement, the Board comprises Mr Lim Teong Leong, Mr Tam Cheok Wing, Mr Ooi Sin Heng and Mr Chan Hon Ming as executive directors and Mr Wong Ming Shiang and Ms Kwan Huey Jin as independent non-executive directors.

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