



# Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 305)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2004

### 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 2004 together with the comparative figures for the previous year as follows:

	Notes	2004 HK\$	2003 HK\$
TURNOVER	3	8,014,899	7,826,494
Other revenue and gains		1,438,384	636,340
Administrative expenses		(12,065,515)	(13,004,570)
Other operating expenses		(3,013,170)	(3,442,782)
Unrealised holding gains/(losses) on short term investments		(719,000)	5,929,051
Surplus/(deficit) on revaluation of investment properties		6,280,000	(1,120,000)
Write-back of/(provision for) doubtful debts		962,514	(671,693)
Impairment of intangible assets		<u>(702,055)</u>	<u>(475,352)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	196,057	(4,322,512)
Finance costs	6	<u>(6,426,706)</u>	<u>(7,199,732)</u>
LOSS BEFORE TAX		(6,230,649)	(11,522,244)
Tax	7	<u>(27,018)</u>	<u>(74,063)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u><u>(6,257,667)</u></u>	<u><u>(11,596,307)</u></u>
LOSS PER SHARE	8		
Basic		<u><u>(1.02 cents)</u></u>	<u><u>(1.89 cents)</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Notes:

### 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard of Accounting Practice (“SSAPs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 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:

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$</b>	<b>HK\$</b>
Commission and interest income from securities dealing and margin finance	<b>5,218,636</b>	4,792,621
Interest income from consumer finance	<b>703,493</b>	700,000
Property rental income	<b>2,092,770</b>	2,333,873
	<b><u>8,014,899</u></b>	<b><u>7,826,494</u></b>

### (a) Business segments

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

	<b>Securities dealing and margin finance</b>		<b>Consumer finance</b>		<b>Property holding</b>		<b>Consolidated</b>	
	<b>2004</b>	2003	<b>2004</b>	2003	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Segment revenue:								
Services provided to external customers	<b>5,218,636</b>	4,792,621	<b>703,493</b>	700,000	<b>2,092,770</b>	2,333,873	<b>8,014,899</b>	7,826,494
Other revenue	<b>1,389,384</b>	570,329	—	—	<b>400</b>	835	<b>1,389,784</b>	571,164
Total revenue	<b><u>6,608,020</u></b>	<u>5,362,950</u>	<b><u>703,493</u></b>	<u>700,000</u>	<b><u>2,093,170</u></b>	<u>2,334,708</u>	<b><u>9,404,683</u></b>	<u>8,397,658</u>
Segment results	<b><u>(5,845,774)</u></b>	<u>(681,117)</u>	<b><u>1,438,697</u></b>	<u>(900,908)</u>	<b><u>6,052,733</u></b>	<u>(811,583)</u>	<b><u>1,645,656</u></b>	<u>(2,393,608)</u>
Unallocated revenue and gains							<b>48,600</b>	65,176
Unallocated expenses							<b><u>(2,335,865)</u></b>	<u>(2,808,667)</u>
Finance costs							<b><u>(641,609)</u></b>	<u>(5,137,099)</u>
Loss before tax							<b><u>(6,230,649)</u></b>	<u>(11,522,244)</u>
Tax							<b><u>(27,018)</u></b>	<u>(74,063)</u>
Net loss from ordinary activities attributable to shareholders							<b><u>(6,257,667)</u></b>	<u>(11,596,307)</u>

(b) **Geographical segments**

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

	<b>Hong Kong</b>		<b>Philippines</b>		<b>Consolidated</b>	
	<b>2004</b>	2003	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Segment revenue:						
Services provided to external customers	<b>8,014,899</b>	7,826,494	—	—	<b>8,014,899</b>	7,826,494
Other revenue	<b>1,328,795</b>	636,001	<b>109,589</b>	339	<b>1,438,384</b>	636,340
Total revenue	<b>9,343,694</b>	8,462,495	<b>109,589</b>	339	<b>9,453,283</b>	8,462,834

#### 4. RELATED PARTY TRANSACTIONS

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

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Interest expenses charged by a fellow subsidiary	—	18,823
Interest expenses charged by the immediate holding company	<b>3,059,286</b>	3,865,146
Interest expenses charged by an intermediate holding company	<b>3,266,807</b>	3,132,450

#### 5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

This is arrived at after charging:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Exchange losses, net	<b>62,750</b>	108,804
Depreciation	<b>219,262</b>	425,924
Amortisation of intangible assets	<b>505,910</b>	505,910
Write-off of fixed assets	—	5,328
Loss on disposal of listed equity investments	—	15,700

and after crediting:

Dividend income from listed investments	<b>109,589</b>	475,963
Interest income	<b>2,728,780</b>	2,536,918
Gain on disposal of fixed assets	<b>400</b>	—

#### 6. FINANCE COSTS

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Interest on bank loans and overdrafts wholly repayable within five years	<b>100,613</b>	183,313
Interest expense on amounts due to holding companies and a fellow subsidiary	<b>6,326,093</b>	7,016,419
	<b>6,426,706</b>	7,199,732

## 7. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil).

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Underprovision for Hong Kong profits tax in prior years	<b>27,018</b>	—
Deferred tax	<u>—</u>	<u>74,063</u>
Tax charge for the year	<u><b>27,018</b></u>	<u>74,063</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\$6,257,667 (2003: HK\$11,596,307) and of 615,024,175 (2003: 615,024,175) ordinary shares in issue throughout the year.

Diluted loss per share for the years ended 31st December 2004 and 2003 have not been disclosed, as no 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 (2003: Nil).

## BUSINESS REVIEW

For the year ended 31st December 2004, the Group recorded a turnover of HK\$8.0 million and a loss before tax of HK\$6.2 million. The turnover of the Group increased by HK\$0.2 million as compared to the year ended 31st December 2003 and this improvement was in line with the increase in the overall market transaction volume of the Hong Kong stock market in 2004.

The loss before tax for the year decreased from HK\$11.5 million in 2003 to HK\$6.2 million in 2004. Such reduction in loss before tax was mainly because the Group recorded unrealized profit on revaluation of the investment properties of the Group amounted to HK\$6.3 million in 2004. The loss before tax in current year mainly comprises administrative and operating expenses and financial cost on borrowings.

## POST BALANCE SHEET EVENT AND FUTURE PROSPECTS

The Group announced on 8th April 2005 the proposed change of controlling shareholder of the Company together with certain restructuring. The new controlling shareholder intends to continue the existing businesses of the Group and will conduct a more detailed review of the operations of the Group with a view to developing a corporate strategy to enhance its existing businesses and its asset base and broaden its income stream by various measures, which may include further investing in and expansion of exiting businesses into or divesting of loss-making operations of the Group should appropriate opportunities arise.

For detail of subsequent event of the proposed change of shareholder of the Company together with the restructuring, please refer to the detail announcement dated 8th April 2005 and the Annual Report.

## 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. All the turnover was generated by business in Hong Kong.

## **Liquidity and capital structure**

The total borrowings of the Group as at 31st December 2004 amounted to HK\$74.5 million, of which HK\$73.9 million were intercompany advances from Magnum Corporation Berhad Group in Malaysia. The bank borrowings as at 31st December 2004 amounted to HK\$0.6 million, which were significantly reduced when compared to the amount of HK\$1.9 million as at 31st December 2003. The cash and cash equivalents as at 31st December 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 and not to demand for repayment of the principal amounts and the related interest payables due thereto until such time, when the Group is in a position to repay the amounts due, without impairing its liquidity position as long as the Group remains as subsidiary companies of Magnum Corporation Berhad.

Investment properties with carrying values of HK\$32.9 million 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 31st December 2004, such investments amounted to HK\$1.4 million.

## **Acquisition and disposal**

There was no acquisition or disposal of any subsidiaries 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 per share. No share options were exercised during the year under review. As at 31st December 2004, 20,550,000 share options were outstanding.

## **PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules which was in force throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company’s bye-law.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with the Rule 3.2.1 of the Listing Rules applicable to the current year, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

The audited financial statement for the year ended 31st December 2004 have been reviewed by the Audit Committee.

## **PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE’S WEBSITE**

A detailed results announcement of the Company for the year ended 31st December 2004 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, 20th April 2005

*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 Mr. Wong Ming Shiang, Mr. Lim Eng Ho and Mr. Soo Tho Him Yip as independent non-executive directors.*

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