



Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 305)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2005

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 2005 together with the comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30th June	
		2005	2004
	Notes	HK\$	HK\$
TURNOVER	3	3,627,190	4,267,645
Other revenue and gains		85,651	1,370,876
Administrative expenses		(6,620,656)	(6,180,182)
Other operating expenses		(1,551,171)	(1,535,966)
Changes on investment held for trading		452,593	(635,355)
Provision for doubtful debts		(700,440)	(197,132)
Finance costs	7	<u>(3,207,213)</u>	<u>(3,161,869)</u>
LOSS BEFORE TAX	6	(7,914,046)	(6,071,983)
Tax	8	<u>—</u>	<u>—</u>
LOSS FOR THE PERIOD		<u>(7,914,046)</u>	<u>(6,071,983)</u>
ATTRIBUTABLE TO:			
Equity holders of the parent		<u>(7,914,046)</u>	<u>(6,071,983)</u>
LOSS PER SHARE			
Basic	9	<u>(1.29 cents)</u>	<u>(0.99 cent)</u>
Diluted		<u>N/A</u>	<u>N/A</u>
INTERIM DIVIDEND	10	<u>Nil</u>	<u>Nil</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2005 <i>HK\$</i>	Audited 31st December 2004 <i>HK\$</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		100,889	103,076
Investment properties		33,290,000	33,290,000
Intangible assets		<u>2,882,525</u>	<u>3,135,479</u>
		<u>36,273,414</u>	<u>36,528,555</u>
CURRENT ASSETS			
Loans receivable		18,931,396	19,402,017
Accounts receivable	11	3,340,732	5,213,721
Prepayments and other debtors		1,395,615	1,555,428
Investment held for trading		1,872,879	—
Short term investments		—	1,420,287
Client trust bank accounts		3,898,868	4,106,932
Cash and bank equivalents		<u>6,853,688</u>	<u>12,257,012</u>
		<u>36,293,178</u>	<u>43,955,397</u>
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	11	51,493,685	50,908,426
Bank loans and overdrafts, secured		—	588,573
Tax payable		<u>52,034</u>	<u>52,034</u>
		<u>51,545,719</u>	<u>51,549,033</u>
NET CURRENT LIABILITIES		<u>(15,252,541)</u>	<u>(7,593,636)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		21,020,873	28,934,919
NON-CURRENT LIABILITIES			
Amount due to the immediate holding company		42,999,147	42,999,147
Amount due to an intermediate holding company		30,920,000	30,920,000
Deferred tax liabilities		<u>351,507</u>	<u>351,507</u>
		<u>74,270,654</u>	<u>74,270,654</u>
		<u>(53,249,781)</u>	<u>(45,335,735)</u>
CAPITAL AND RESERVES			
Issued capital		61,502,418	61,502,418
Reserves		<u>(114,752,199)</u>	<u>(106,838,153)</u>
		<u>(53,249,781)</u>	<u>(45,335,735)</u>

Notes:

1. BASIS OF PRESENTATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$7.9 million for the six months ended 30th June 2005. As reported in the Group's last annual report, 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. The Company's holding companies have also agreed not to demand for the repayment of the principal amounts and the related interest payables due by the Group, in the aggregate amount of HK\$73.9 million and HK\$44.0 million, respectively, as at 30th June 2005 until such time when the Group is in a position to repay the amounts due without impairing its liquidity position. After taking into consideration the financial support provided by the Company's holding companies as mentioned above, and the consolidated net current liabilities of the Group of HK\$15.3 million as at 30th June 2005, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34: "Interim Financial Reporting" issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation used in the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2004 except in relation to the following new Hong Kong Financial Reporting Standards ("HKFRS", which also include HKAS and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

Financial Instruments

In the prior periods, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice No. 24 "Investments in Securities". Under SSAP 24, the Group classified its investment in equity securities as other investment in securities which is held for short term purpose.

In the current period, the Group has, for the first time, applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial statements. Following adoption of HKAS 32 and HKAS 39, the Group's financial instruments have been classified into "financial assets or liabilities at fair value through profit and loss" and "loans and receivables". Financial assets or liabilities through profit and loss are measured at fair value, and loans and receivables are measured at amortised cost where the carrying amount of the asset is computed by discounting the future cash flows to present value using the original effective interest rate. The adoption of HKAS 32 and HKAS 39 do not have any significant impact for these interim financial statements on its results of operations and financial position of the current or prior periods.

Investment Properties

In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the profit and loss accounts and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise.

The Group has taken advantage of the transitional provisions of HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards. The adoption of HKAS 40 does not have any significant impact for these interim financial statements on the amounts recorded for investment properties.

Deferred taxes related to investment properties

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21 "Income Taxes — Recovery of Revalued Non-depreciable Assets", deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through sale. In the absence of any specific transitional provisions in HK(SIC) Int 21, this change in accounting policy has been applied retrospectively. However, the adoption of HKAS Interpretation 21 does not have any significant impact for these interim financial statements on the amounts recorded for deferred taxes related to investment properties.

3. TURNOVER

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	
	2005	2004
	HK\$	HK\$
Commission and interest income from securities dealing and margin finance	2,285,215	2,788,981
Interest income from consumer finance	365,343	349,041
Property rental income	976,632	<u>1,129,623</u>
	<u>3,627,190</u>	<u>4,267,645</u>

4. SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's primary segments.

Business segments

	Unaudited six months ended 30th June 2005				
	Securities dealing and margin finance HK\$	Consumer finance HK\$	Property holding HK\$	Elimination HK\$	Consolidation HK\$
Segment revenue:					
Services provided to external customers	2,285,215	365,343	976,632	—	3,627,190
Other revenue	48,226	—	—	—	48,226
Total Revenue	<u>2,333,441</u>	<u>365,343</u>	<u>976,632</u>	<u>—</u>	<u>3,675,416</u>
Segment results	<u>(2,717,160)</u>	<u>(438,726)</u>	<u>(27,506)</u>	<u>—</u>	<u>(3,183,392)</u>
Unallocated revenue and gains					37,425
Unallocated expenses					<u>(1,967,537)</u>
Unallocated finance costs					<u>(5,113,504)</u>
Loss before tax					<u>(7,914,046)</u>
Tax					<u>—</u>
Net loss from ordinary activities attributable to shareholders					<u>(7,914,046)</u>

Unaudited six months ended 30th June 2004

	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	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><u>4,135,158</u></u>	<u><u>349,041</u></u>	<u><u>1,130,023</u></u>	<u><u>—</u></u>	<u><u>5,614,222</u></u>
Segment results	<u><u>(1,951,484)</u></u>	<u><u>(29,747)</u></u>	<u><u>(93,228)</u></u>	<u><u>—</u></u>	<u><u>(2,074,459)</u></u>
Unallocated revenue and gains					24,299
Unallocated expenses					<u>(1,235,789)</u>
					(3,285,949)
Unallocated finance costs					<u>(2,786,034)</u>
Loss before tax					(6,071,983)
Tax					<u>—</u>
Net loss from ordinary activities attributable to shareholders					<u><u>(6,071,983)</u></u>

5. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Unaudited Six months ended 30th June 2005 <i>HK\$</i>	2004 <i>HK\$</i>
Interest expenses charged by the immediate holding company	1,495,323	1,490,949
Interest expenses charged by an intermediate holding company	<u>1,700,268</u>	<u>1,598,034</u>
	<u>3,195,591</u>	<u>3,088,983</u>

(b) Outstanding balances with related parties

	Unaudited 30th June 2005 <i>HK\$</i>	Audited 31st December 2004 <i>HK\$</i>
Amount due to the immediate holding company	42,999,147	42,999,147
Amount due to an intermediate holding company	30,920,000	30,920,000
Interest payable to the immediate holding company	20,905,923	19,410,600
Interest payable to an intermediate holding company	22,825,936	21,125,668
Interest payable to a fellow subsidiary	<u>246,457</u>	<u>246,457</u>
	<u>117,897,463</u>	<u>114,701,872</u>

(c) Compensation of key management personnel of the Group

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$	HK\$
Short term employee benefits	1,060,710	1,060,710
Post-employment benefits	<u>53,036</u>	<u>53,036</u>
Total compensation paid to key management personnel	<u><u>1,113,746</u></u>	<u><u>1,113,746</u></u>

6. LOSS FROM OPERATING ACTIVITIES

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$	HK\$
This is arrived at after charging:		
Depreciation	27,702	139,450
Amortisation of intangible asset	<u>252,954</u>	<u>252,955</u>
and after crediting:		
Gain on disposal of investment held for trading	—	1,176,500
Gain on disposal of fixed assets	—	400
Interest income	1,271,612	1,464,292
Dividend income from investment held for trading	13,125	112,676
Gross rental income	976,632	1,129,623
Less: Outgoings	<u>(57,070)</u>	<u>(47,490)</u>
Net rental income	<u><u>919,562</u></u>	<u><u>1,082,133</u></u>

7. FINANCE COSTS

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	11,622	72,886
Interest expenses on amounts due to holding companies	<u>3,195,591</u>	<u>3,088,983</u>
	<u><u>3,207,213</u></u>	<u><u>3,161,869</u></u>

8. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period ended 30th June 2005 and 30th June 2004.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$7,914,046 (2004: HK\$6,071,983) and 615,024,175 (2004: 615,024,175) ordinary shares in issue throughout the period.

Diluted loss per share for the periods ended 30th June 2005 and 2004 have not been disclosed, as no dilutive events existed during the periods.

10. INTERIM DIVIDEND

As at 30th June 2005, the Company did not have any reserves available for cash/in specie dividend distribution.

11. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

- (a) The credit terms provided to customers are consistent with the practice of the securities dealing industry. Details of the accounts receivable of the Group as at the balance sheet date, based on transaction date and net of provisions, are as follows:

Accounts receivable :

	Unaudited	Audited
	30th June	31st
	2005	December
	HK\$	HK\$
Not yet due	3,213,734	3,431,749
0–30 days	71,048	1,781,972
Over 30 days	<u>55,950</u>	<u>—</u>
	<u><u>3,340,732</u></u>	<u><u>5,213,721</u></u>

- (b) Details of the accounts payable, other payables and accruals of the Group as at the balance sheet date are as follows :

Accounts payable:

	Unaudited	Audited
	30th June	31st
	2005	December
	HK\$	HK\$
Not yet due	728,350	1,586,196
0–30 days	961,692	1,442,426
Over 30 days	<u>2,785,973</u>	<u>2,506,288</u>
	4,476,015	5,534,910
Other payables and accruals	<u>47,017,670</u>	<u>45,373,516</u>
	<u><u>51,493,685</u></u>	<u><u>50,908,426</u></u>

Included in other payables of the Group are interest payables to holding companies and a fellow subsidiary totaling HK\$43,978,316 (2004: HK\$40,782,725) which are unsecured, interest-free and have no fixed terms of repayment.

12. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on 16th September 2005.

BUSINESS REVIEW

For the six months ended 30th June 2005, the Group recorded a turnover of HK\$3.6 million and loss before tax of HK\$7.9 million. The turnover of the Group decreased by HK\$0.6 million as compared to that of the six months ended 30th June 2004. The lower turnover is mainly due to increased competition amongst local security houses and retail banks.

The loss before tax for the six months ended 30th June 2005 increased from HK\$6.1 million in 2004 to HK\$7.9 million in 2005. Such increase in loss before tax was mainly due to lower turnover and higher additional professional fees incurred for corporate exercise undertaken in 2005.

On 8th April 2005, the Company and Unichina Enterprises Limited (“Unichina”) jointly announced that Magnum (Guernsey) Limited (“MGL”) and Unichina have entered into a sale and purchase agreement (“S&P Agreement”), pursuant to which, MGL has conditional agreed to sell and Unichina has conditionally agreed to purchase a total of 316,973,680 issued shares of the Company, representing a 51.54% equity interest in the Company. For details of the S&P Agreement and other related agreement, the announcement on 8th April 2005 and the Circular dated 20th May 2005 can be referred.

On 20th July 2005, the Company and Unichina jointly announced that all the resolutions relating to the conditions of the S&P Agreement are not approved by the independent shareholders at the Special General Meeting held on 24th June 2005. Relevant parties to the S&P Agreement have agreed not to proceed with the S&P completion.

FUTURE PROSPECTS

The Hong Kong security market has been changing rapidly in the past few years which in turn, affected our securities dealing business. With the withdrawal of minimum commission and more retail banks participating in the securities business, have resulted in more intense competition amongst local security houses. The management is exploring various strategies to retain our existing clients and to broaden our client bases.

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

With the economy gradually improving and with better market sentiment, 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 63% 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 2005 amounted to HK\$73.9 million which solely comprises intercompany advances from Magnum Corporation Berhad Group in Malaysia. As at 30th June 2005, there was no bank borrowings when compared to the amount of HK\$0.6 million as at 31st December 2004. The cash and cash equivalents as at 30th June 2005 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.

As at 30th June 2005, certain investment properties and bank deposits with carrying values of HK\$32.9 million were charged to banks to secure the bank facilities.

The main funding of the Group is from intercompany advances. In the opinion of the directors, the interest rates charged by the intercompany advances are fair and reasonable.

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 1.39.

Significant investment held

The Group holds some investments in Hong Kong and Philippines listed shares. As at 30th June 2005, such investments amounted to HK\$1.9 million.

Acquisition and disposal

There was neither acquisition nor disposal of any subsidiaries 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

At 30th June 2005, 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 30th June 2005, 20,100,000 share options were outstanding.

INTERIM DIVIDEND

As at 30th June 2005, the Company did not have any reserve available for cash/in specie dividend distribution.

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 ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Main Board Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the interim report, except for the following deviations:

Code Provision A.4.1

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term, subject to re-election.

The Company's Independent Non-executive directors are not appointed for a specified term, but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Bye-Laws.

Code provision A.4.2

Code Provision A.4.2 stipulated that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Company's bye-laws, at each annual general meeting, one-third of the directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third shall retire from office provided that notwithstanding anything herein, the chairman of the board and the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

In order to ensure compliance with the above Code Provision A.4.2, relevant amendments to the Bye-Laws of the Company will be proposed for approval by the shareholders at the annual general meeting to be held in 2006 such that every director shall be subject to retirement by rotation at least once every three years.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code of securities transactions by directors (“Own Code”) on terms no less exact than the required standard set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) of the Listing Rules.

Having made specific enquiry of all directors, directors of the Company have confirmed that they have complied with the required standards set out in the Model Code and in the Own Code throughout the six months period ended 30th June 2005.

The Company has also established its own written guidelines for relevant employees in respect of their dealings in the securities of the Company.

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 three independent non-executive directors of the Company.

The unaudited interim financial statements for the six months ended 30th June 2005 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All information as required under paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

By order of the Board
Lim Teong Leong
Chairman

Hong Kong, 16th September 2005

As at the date of this announcement, the Board comprise:

Executive directors

Mr Lim Teong Leong (*Chairman*)
Mr Tam Cheok Wing
Mr Ooi Sin Heng
Mr Chan Hon Ming

Independent Non-Executive Directors

Mr Wong Ming Shiang
Mr Lim Eng Ho
Mr Soo Tho Him Yip

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